



Daily Report

China

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Daily Report China

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General

Foreign Ministry Gives Weekly News Briefing

Soviet Military Talks Denied

HK1105104488 Beijing ZHONGGUO XINWEN SHE
in Chinese 0957 GMT 11 May 88

[Report: "Li Zhaoxing Says China and the Soviet Union Have Never Held Talks or Made Contacts To Discuss the Military Situation"]

[Text] Beijing, 11 May (ZHONGGUO XINWEN SHE)—Answering a question raised a REUTER correspondent this afternoon, Chinese Foreign Ministry spokesman Li Zhaoxing denied reports that China and the Soviet Union have allegedly held discussions on the military situation.

Li said: I have never heard about any talks or contacts between China and the Soviet Union to discuss the military situation. This is absolutely not true. The only talks currently going on between China and the Soviet Union are about the normalization of relations and the border issue.

Asked about who is going to replace Qian Qichen, who has just been appointed foreign minister, as head of the Chinese delegation to the Sino-Soviet talks on the normalization of relations and the border issue, Li Zhaoxing said: For the moment I can tell you nothing. But, he went on, I can assure you one thing, that is, according to an agreement between the two sides, both the negotiations on the border issue and the talks on normalization of relations "will be carried out at the vice ministerial level."

SRV Proposal Rejected

OW1105112288 Beijing XINHUA in English
0939 GMT 11 May 88

[Text] Beijing, May 11 (XINHUA)—The sole purpose of the Vietnamese authorities' recent so-called negotiation proposal is to cover up their activities of aggression and expansion, a Chinese Foreign Ministry spokesman said here today.

In response to a question at a press briefing the spokesman said that it is the habitual trick of the Vietnamese authorities to try to manipulate world opinion by confusing right and wrong.

Since provoking the March 14 conflict, Vietnam has continued its illegal seizure and occupation of islands and reefs of China's Nansha Islands, creating tension in this area, he said.

Conflicts in the Nansha Archipelago can be avoided when Vietnam ceases its provocations, stops seizing and occupying islands and reefs and withdraws from those already occupied, the spokesman said.

Answering a question on the present situation in the Nansha Islands, the spokesman said that even officials of the Vietnamese Foreign Ministry have admitted that up to now Vietnam has illegally occupied over 20 islands and reefs in the island group. He said that scientific survey efforts conducted by Chinese vessels in the Nansha Islands fall entirely within the scope of China's sovereignty, in which Vietnam has no right whatsoever to interfere.

No further armed conflict has occurred in the region since March 14 as a result of the great restraint exercised by China, he said. The spokesman concluded by saying, "We demand that Vietnam withdraw from China's islands and reefs it has illegally occupied."

Japan's Okuno Remarks Refuted

OW1105142888 Beijing XINHUA in English
1330 GMT 11 May 88

[Text] Beijing, May 11 (XINHUA)—A Chinese Foreign Ministry spokesman refuted a Japanese official's defence of Japan's past aggressions in China at a weekly news briefing here this afternoon.

Seisuke Okuno, director-general of the National Land Agency of Japan, had told an audit committee of the Japanese House of Representatives on May 9 that Japan had had no intention to carry out an invasion.

Commenting on the remark, the Chinese Foreign Ministry spokesman said that since the beginning of this year, some people in Japan, even a Cabinet minister, show no inclination to be introspective about the past invasion.

This cannot but arouse concerns of all peace-loving people in the world, he said.

When asked whether the matter was discussed during Japanese Foreign Minister Sosuke Uno's visit to China earlier this month, the spokesman replied that the two sides had friendly talks on bilateral relations and international issues of common concern.

He said both sides agreed to handle existing problems according to principles set out in the China-Japan joint statement and the China-Japan Treaty of Peace and Friendship and to continue to work for the development of friendly relations between the two countries.

Remarks Cause for Concern

HK1105130688 Hong Kong AFP in English
1240 GMT 11 May 88

[Text] Beijing, May 11 (AFP)—Japanese who defend their nation's militarist past are cause for international concern, a Chinese Foreign Ministry spokesman said Wednesday, reacting to remarks by a Japanese minister about World War Two.

Some Japanese, including Cabinet ministers, "have no intentions at all for introspection on the past war of aggression," spokesman Li Zhaoxing told a weekly press briefing.

"This cannot but alarm all the peace-loving countries and peoples of the world," he said.

Seisuke Okuno, who heads Japan's National Land Agency, said Tuesday that Japan had no intention of occupying China when war broke out between both countries in 1937.

Last month Mr Okuno fanned Chinese sensitivities about the war when he denied that Japan was an aggressor nation in World War Two.

Mr Li said that during a visit May 3-5 by Japanese Foreign Minister Sosuke Uno, Japan and China agreed to deal with such "problems" in the scope of bilateral agreements that acknowledge Japan's wartime responsibilities.

Tibetan Massacre Denied

HK1105092888 Hong Kong AFP in English
0922 GMT 11 May 88

[Text] Beijing, May 11 (AFP)—China's Foreign Ministry Wednesday dismissed a British press report that 50 Tibetans, many of them monks, were killed by police in Lhasa in March.

"That report is at variance with facts," a Foreign Ministry spokesman told a weekly press briefing here. He did not elaborate, saying Tibet was a domestic concern of China and did not fall under the jurisdiction of his ministry.

The OBSERVER newspaper said Sunday that Chinese police killed 30 monks in an assault on Jokhang Temple, Tibetan Buddhism's holiest shrine, when anti-Chinese riots broke out in Lhasa on March 5.

Twenty Tibetans were killed as they protested against the massacre, it said.

The report was denied Monday by Tibet's foreign affairs bureau. "These events did not take place. They do not exist," a bureau spokesman said.

Witnesses put the number of dead in the March 5 riot at between eight and 15, most of them monks. China officially says five people were killed and more than 300 injured.

A previous riot in October 1 left between six and 13 people dead, according to witnesses.

Burma's Deputy Minister To Visit

OW1105080288 Beijing XINHUA in English
0732 GMT 11 May 88

[Text] Beijing, May 11 (XINHUA)—U Tun Tin, deputy prime minister and minister for planning and finance of the Socialist Republic of the Union of Burma, will pay a goodwill visit to China from May 25 to June 2, at the invitation of the Chinese Government, a Chinese Foreign Ministry spokesman announced at a press briefing here this afternoon.

United States & Canada

Vice Premier Tian Jiyun Continues U.S. Visit

Purpose of Visit Outlined

HK1005113288 Beijing ZHONGGUO XINWEN SHE
in Chinese 1030 GMT 9 May 88

[Report by Xie Yining (6200 0001 1337): "Tian Jiyun Begins Visit to the United States, Strives To Develop Bilateral Economic and Trade Relations"]

[Text] Washington, 8 May (ZHONGGUO XINWEN SHE)—Chinese Vice Premier Tian Jiyun arrived in Washington today for a 10-day visit to the United States. Public opinion here maintains that the purpose of his visit is to discuss Sino-U.S. economic cooperation, to seek measures and methods for removing obstacles, and to promote bilateral economic and trade relations.

Tonight Shultz gave a banquet in honor of Tian Jiyun and his party. In his speech Shultz spoke highly of the achievements in China's reforms and opening up to the world as well as the enhancement of its position in the world. He also expressed hope for further progress in Sino-U.S. relations. Tian Jiyun made these remarks in his speech: Marked progress has been made in Sino-U.S. relations. Sino-U.S. relations will certainly develop further so long as the two countries strictly abide by the principles laid down in the three Sino-U.S. joint communiques, remove obstacles and negative factors in actual reforms and practice, and establish mutual respect and trust.

Among those present at the banquet were Lu Xuejian, vice minister of foreign economic relations and trade; Yuan Mu, special assistant for this ministry; and He Chunlin, director of the Special Economic Zones Office under the State Council.

While in Washington, Tian Jiyun will, on separate occasions, visit President Reagan, Vice President Bush, Secretary of State Shultz, Secretary of Treasury Baker, Secretary of Commerce Verity, and Secretary of Defense Carlucci. Tian Jiyun and Verity will hold the sixth plenary meeting of the joint U.S.-Sino commercial and trade association. He will also visit New York, Minneapolis, and Los Angeles to have contact with people from all walks of life.

The development of economic and trade relations between the two countries has been very good since the establishment of diplomatic relations. According to statistics compiled by the U.S. Department of Commerce, Sino-U.S. trade totaled \$56.1 billion from 1979 to the end of last year, registering an average annual increase of 37.7 percent. Despite of all this, however, there is still great potential in bilateral trade and serious obstacles as well. People in press circles here believe that Tian Jiyun will make efforts to urge the U.S. side to give up discriminatory trade legislation and trade protectionism and to prevent legislation that harms Sino-U.S. trade from being approved. In addition, he will also call on the U.S. side to fulfill its commitment to resume the hi-tech transfers to China it announced in March.

Another purpose of Tian Jiyun's visit is to encourage U.S. businessmen to make investments in China's coastal areas. It is believed that he will explain China's efforts to speed up the development of an export-oriented economy in its coastal areas and the establishment of Hainan Province to people in commercial circles.

Reports say that it is possible for Tian Jiyun to negotiate with the U.S. side on the resumption of China's status as a signatory member of the GATT.

More on Visit's Objectives

HK1005112588 Hong Kong HSIN WAN P40
in Chinese 10 May 88 p 2

["New Talk" column: "Several Objectives of Tian Jiyun's Visit to the United States"]

[Text] A meeting of the Sino-U.S. Joint Committee of Commerce and Trade, opened in Washington yesterday for 3-day talks. The Chinese side is represented by Vice Premier Tian Jiyun, while the U.S. side is represented by Secretary of Commerce Verity.

Vice Premier Tian Jiyun is the first Chinese Cabinet member to head a delegation abroad since Li Peng assumed office as premier and named his cabinet. Tian is scheduled to stay in the United States for 10 days, including the 3 days of the meeting. He has already met with U.S. Secretary of State Shultz and is going to meet with President Reagan, Vice President Bush, and Secretary of the Treasury Baker. He will also make various contacts with U.S. commercial leaders on different occasions.

According to an analysis by the sources concerned, Tian Jiyun's present visit to the United States has three objectives: To expand bilateral trade and remove obstacles to trade; to attract American businessmen to invest in China's coastal areas; and to consult with the United States on China's recovery of its status as a signatory of the General Agreement on Tariffs and Trade.

Last year witnessed new progress in economic and trade relations between China and the United States. The volume of bilateral trade totaled \$7,875 million (which is lower than the \$10 billion earlier alleged), an increase of 7 percent over 1986. Thus the United States has remained China's No 3 trade partner. On the other hand, however, Sino-U.S. bilateral trade, while showing tremendous potential, still faces enormous obstacles. For this reason Tian Jiyun mentioned these two factors in his speech in Washington. First of all he told his audience that the Chinese Government welcomes and attaches great importance to the positive actions the United States has taken in implementing its economic policy toward China, and appreciates the Reagan administration's efforts to counter trade protectionism. He then expressed his hope that the U.S. side would give up discriminative trade legislation and trade protectionism, and would prevent the adoption of any bill that might hamper Sino-U.S. trade. He also urged the U.S. side to keep the promise made last March concerning the relaxation of restrictions on the transfer of high technology to China.

There are two obstacles to technological transfer to China. First, the U.S. media have repeatedly reported China's direct supply of "Silkworm" missiles to Iran beginning last year, and the U.S. Congress imposed a ban on high technology transfer to China based on this accusation. This case was settled and in March the United States announced the lifting of the ban. But in fact no real action has been taken so far although the promise was made. The second obstacle is the strict controls imposed by the Coordinating Committee for Export Control on high-technology transfers [COCOM]. The United States did promise to lift the restrictions but to our surprise Japan was recently instructed to investigate two Japanese firms which had trading relations with China. All these issues have yet to be solved by the U.S. side.

Briefing the Sino-U.S. Joint Committee of Commerce and Trade on China's strategy for economic development, Tian Jiyun presented the four important measures that China has recently adopted. The first is the further opening up of China's coastal areas and the establishment of Hainan Province which is to become the country's largest special economic zone. The second is the further expansion of the existing open economic zones so that they will finally develop into a forward belt with a population of 160 million, which is open to the outside world. The third is the accelerated and in-depth development of foreign trade structure reform. And the fourth is the further development of a complete set of laws and regulations governing issues involving foreigners.

By the end of last year the United States had begun 408 direct investment projects in China, involving a total value of \$3,040 million. That made the United States the No. 1 foreign investor in China. But it is obvious that there is still room for further development in terms of

the value of investments. Today, the crux of the problem lies in whether the environment for trade and investments will be attractive enough.

Today's RENMIN RIBAO OVERSEAS EDITION carries a speech by Li Jiefei [2621 2638 7378], director of the China and Hong Kong Office in the U.S. Department of Commerce. Li holds that the development of China's Hainan Island will take a long time, but the project is of great significance. Referring to China's overall decision on accelerating economic development of its coastal areas, he believes that this will call forth positive responses from among foreign businessmen.

Meets Secretary Shultz

OW1105074888 *Beijing in English to North America* 0300 GMT 10 May 88

[Text] China's Vice Premier Tian Jiyun has started his 10-day official visit to the United States. Our correspondent Zhang Guohua has covered his first day activities in the U.S. capital.

A few hours after his arrival in Washington, Vice Premier Tian Jiyun was invited to the U.S. State Department by Secretary of State George Shultz for a dinner in honor of the Chinese visitor.

Speaking at the dinner party, Secretary Shultz spoke of the enormous changes China has made in its international relations. He praised the Chinese people's resolve and courage in their political and economic reform and in implementing the policy of opening to the outside world. He said that the United States and China shared common interests in wide areas. He said both countries oppose outside interference in Afghanistan and support the forces in Kampuchea under the leadership of Prince Norodom Sihanouk.

Secretary Shultz said China is becoming more and more important in world affairs and the United States looks forward to expanding its cooperation with China with stepped-up mutual consultations on global as well as regional issues.

In reply, Chinese Vice Premier Tian Jiyun said that China and the United States have conducted friendly exchanges for more than 200 years. Sino-U.S. bilateral relations have made remarkable headway, particularly since the establishment of diplomatic ties 10 years ago. He said that expanded Sino-U.S. friendly relations and cooperation are of great importance to the fundamental interests of the two peoples and to world peace and stability.

The Chinese vice premier said that Sino-U.S. relations are sure to develop faster so long as both sides strictly abide by the guiding principles set in their three joint communiques, formulate concrete policies and take actions to remove obstacles and negative factors, and build up mutual respect and trust.

Vice Premier Tian Jiyun described Secretary Shultz as an old friend of the Chinese Government and people and invited him to visit China again.

Vice Premier Tian Jiyun's visit to the United States is only the latest in the series of high level visits between the two governments.

Former Chinese foreign minister and now Vice Premier Wu Xueqian was here only two months ago. The frequent exchange of high-level visits has greatly helped the steady development of relations between Beijing and Washington.

While staying in Washington, Vice Premier Tian Jiyun will be meeting with President Reagan, Vice President Bush, Defense Secretary Carlucci and Commerce Secretary Verity. He will also be co-chairing with Secretary Verity for the sixth session of the Sino-U.S. Joint Commission on Commerce and Trade where experts from both countries will discuss ways to further expand their bilateral economic relations.

Addresses Trade Discussions

HK1105100988 *Beijing RENMIN RIBAO in Chinese* 11 May 88 p 6

[Dispatch by reporter Zhang Yunwen (1728 0336 2429): "Tian Jiyun Addresses Opening Ceremony of Sixth Meeting of Sino-U.S. Commercial and Trade Joint Commission"]

[Text] Washington, 9 May (RENMIN RIBAO)—This morning, Chinese State Council Vice Premier Tian Jiyun and U.S. Secretary of Commerce Verity jointly presided over and addressed the opening ceremony of the sixth meeting of the Sino-U.S. Joint Commission on Commerce and Trade.

Vice Premier Tian Jiyun said: The year 1987 witnessed new progress in economic and trade relations between China and the United States. The volume of bilateral trade totaled \$7.875 billion, an increase of 7 percent over the previous year. With regard to investment, in 1987, China approved 104 investment projects run by American businessmen in China. A number of joint ventures and co-management enterprises run with Chinese and American capital have had good economic results. And China, on its own, has become more and more active in investing in the United States.

Tian Jiyun noted that there is a great potential for further expanding economic cooperation and trade between China and the United States, but Sino-U.S. economic and trade relations are also facing some problems. Due attention must be paid to the realities in both aspects, he said. In handling these problems, both sides should adhere to the principle of equality and mutual benefit and uphold the spirit of mutual respect, try their best to remove obstacles in their way, and ensure a

comprehensive, steady, smooth, and continuous development of bilateral economic and trade relations. Tian said his government has always welcomed and attached great importance to the positive measures that the United States has taken in implementing its economic policy toward China. His government also very much appreciates the Reagan administration's efforts to counter trade protectionism.

Secretary Verity said: Improving trends in the economies of both the United States and China should lend confidence to the efforts to expand the bilateral trade and investment relations. At the same time, both sides must examine the obstacles to the expansion and resolve to find realistic and workable solutions.

After the opening ceremony, the joint commission will go into working group discussions on trade, investment environment, and industrial and technological cooperation. The session will continue for 3 days.

Discusses Development Strategy

HK1005114688 Beijing ZHONGGUO XINWEN SHE in Chinese 0408 GMT 10 May 88

[Report: "Tian Jiyun Talks About the Four Major Measures for Expanding the Scale of Opening Up to the Outside World"]

[Text] Washington, 9 May (ZHONGGUO XINWEN SHE)—Chinese Vice Premier Tian Jiyun today gave a speech at the sixth meeting of the Sino-American Commercial and Trade Joint Committee in Washington to brief the American side on China's economic development strategy. He said that in order to expand the scale of opening up to the outside world and to speed up the development of the export-oriented economies in the coastal areas, the Chinese Government has decided to implement four major measures.

First, on the basis of continuing to consolidate and develop the existing pattern of opening up to the outside world and giving full play to the existing special economic zones, the central government has authorized Guangdong, Fujian, and Hainan Island to adopt more open policies so as to gain more experience for other coastal areas to further open up and build and develop export-oriented economies. This will deepen and widen the scope of opening up and make a new development in this regard. Hainan Province will be built into the largest special economic zone in China, and it will adopt more favorable policies toward foreign investors than the existing special economic zones.

Second, on the basis of maintaining the four existing special economic zones, the 14 open coastal cities, and the Chang Jiang Delta, the Zhu Jiang Delta, and the Southern Fujian Triangle Economic Zones, China will further expand the scope of economic open areas and will form a forefront belt with a total area of 320,000 square kilometers from the south to the north along the

coastline. The open areas will have a total population of 600 million people. In these areas, local governments and enterprises will have greater decision-making power to attract direct foreign investments and to handle foreign trade and technological exchanges.

Third, China will quicken and deepen the reform of the foreign trade system, adopt the foreign trade contract system in an all-round way, and introduce the mechanism of competition into the foreign trade companies and the export-oriented enterprises, which will have more decision-making power to handle their business and production and will bear sole responsibility for their own profits and losses in foreign trade. This will make the enterprises directly face the international markets and will prompt them to seek survival and development in the intense market competition.

Fourth, China will further perfect its laws related to foreign economic activities, and will further improve the investment environment. Recently, the Chinese Government has promulgated the "Law on Chinese-Foreign Cooperation Enterprises." This will certainly play a role in promoting and guaranteeing the development of these enterprises.

Meets Bush, Discusses Relations

OW1005171688 Beijing XINHUA Domestic Service in Chinese 0813 GMT 10 May 88

[By reporter Liu Zhiguang]

[Text] Washington, 9 May (XINHUA)—U.S. Vice President George Bush told visiting Chinese Vice Premier Tian Jiyun today: The United States attaches great importance to U.S.-China relations. Maintaining friendly relations with China is a policy shared by both the Republican and Democratic Parties, no matter what the result of this year's presidential elections.

Bush met with Chinese Vice Premier Tian Jiyun at his official residence this evening and hosted a banquet for Vice Premier Tian at the (Blair) Guesthouse. The vice premier is on an official goodwill visit in the United States at the invitation of Vice President Bush.

The vice premier pointed out during the meeting: The steady development of Sino-U.S. relations has brought benefits to the Chinese and American peoples and also constitutes an important factor for the maintenance of world peace and stability.

During the meeting, Vice Premier Tian conveyed to Vice President Bush greetings from Deng Xiaoping, Zhao Ziyang, Yang Shangkun and Li Peng. Bush asked Tian Jiyun to convey his greetings to the Chinese leaders. The two sides held cordial conversations on international issues of mutual concern and on further development of bilateral relations.

Bush was the chief of the U.S. Liaison Office in China from 1974 to 1975. He later visited China three times in 1977, 1980 and 1985. He is a presidential candidate this year. After intense campaigning, he is certain to gain the Republican presidential nomination.

Meets President Reagan

OW1105135288 Beijing XINHUA Domestic Service
in Chinese 0654 GMT 11 May 88

[By reporter Liu Zhiguang]

[Text] Washington, 10 May (XINHUA)—At a meeting with Vice Premier Tian Jiyun this morning in the White House, U.S. President Reagan said that the United States attaches importance to its relations with China and is fully confident of the vigorous development of the U.S.-China relations.

Vice Premier Tian Jiyun conveyed to President Reagan cordial greetings from Deng Xiaoping, Zhao Ziyang, Yang Shangkun, and Li Peng and presented a letter from President Yang Shangkun to President Reagan.

President Reagan asked Vice Premier Tian to convey his greetings and good wishes to the Chinese leaders. They are playing a key role in China's modernization and implementation of the reform and opening-to-outside policies, Reagan added.

Reagan reiterated that the firm basis of the U.S. policy is that there is only one China, and this policy has the extensive and unanimous support of both the Republican and Democratic parties of the United States. The United States, he said, will faithfully implement the three U.S.-China joint communiques.

Reagan said that he is pleased with the new developments in the situation of the Taiwan Strait over the past few months. He said: The United States welcomes the contacts taking place between the Chinese mainland and Taiwan Island because these contacts are conducive to easing the atmosphere between the two sides of the Taiwan Strait. "We hope that this process will continue to develop."

Referring to the economic relations between the United States and China, Reagan said that the U.S.-China bilateral trade has grown remarkably, and the United States holds an important position in direct investment in China. He expressed the hope that both the U.S. and Chinese Governments would continue their efforts to promote the development of economic and trade relations between the two countries.

Vice Premier Tian Jiyun said: This year is the 10th year since the establishment of diplomatic relations between China and the United States. The Chinese Government has all along attached importance to Sino-U.S. relations and placed the development of such relations in an important position in its foreign relations. He hoped that

Sino-U.S. relations would have a healthy, long, and steady development on the basis of the principles established in the three joint communiques.

He said: China's Seventh NPC has established the general and specific policies on deepening reforms and opening wider to the outside world, which have provided good opportunities for the in-depth development of Sino-U.S. relations, particularly the expansion of economic and technical cooperation and trade relations between the two countries.

Vice Premier Tian expressed his appreciation for President Reagan's remarks that the United States would make efforts to promote the contacts between the two sides of the Taiwan Strait [mei guo jiang wei cu jin tai wan hai xia lian an lai wang er nu li 5019 0948 1412 3634 0191 6651 0669 3494 3189 1499 0357 1489 0171 1766 5079 0505 0500]. The United States, he said, is able to do something to promote the early realization of the "three links" between the two sides of the strait and their peaceful reunification.

Present at today's meeting were U.S. Secretary of State Shultz, White House Chief of Staff Baker, National Security Adviser to the President Powell, Commerce Secretary Verity, and U.S. Ambassador to China Lord.

Chinese Ambassador to Washington Han Xu also attended the meeting.

Vice Premier Tian Jiyun met at his hotel with U.S. Secretary of State Shultz this morning. In a cordial and friendly atmosphere, they exchanged views on international issues of common concern.

U.S. Congressmen Question Human Rights Policy
OW1105081588 Beijing XINHUA in English
0728 GMT 11 May 88

[Text] Washington, May 10 (XINHUA)—A few U.S. Congressmen today tried again to attack China on alleged "human rights violations in Tibet."

The U.S. Congressional Human Rights Caucus today held a hearing on the so-called "Chinese human rights violations in Tibet," the second since last fall when the caucus provided a forum for the exiled Dalai Lama to present his "five-point" plan which led to riots in Tibet.

In his opening statement, Tom Lantos, co-chairman of the Congressional Human Rights Caucus, alleged that there have been a number of "very serious disturbing events" in Tibet since the last hearing, and charged that "a large number of individuals were killed, maimed, wounded, detained and lost."

Lantos, who invited the Dalai Lama to the U.S. last year, said that U.S. relations with China "have to be put on an adult basis."

"It is the will of the human rights caucus that strategic or other considerations must not be allowed to lead to sweeping, under the rug, human rights violations," he added.

Only seven of the 150 members of the human rights caucus appeared at today's hearing. This time, no congressmen except Robert Dornan openly advocated independence of Tibet. Another congressman raised the possibility of imposing economic and military sanctions against China.

Testifying at the hearing were Richard Gere, an American film star who made himself chairman of "Tibet House," Lord David Hedley Ennals from Britain who led the first foreign observer mission to Tibet following the March 1988 riots, the Amnesty International and a former Tibetan prisoner.

On April 29, Congressmen Charlie Rose and Benjamin Gilman proposed a bill on the so-called "human rights violations in Tibet by the People's Republic of China," calling for the suspension of nondiscriminatory treatment and disapproval of multilateral financial assistance and favorable trade status to China.

Soviet Union

USSR Ambassador Comments on Relations
HK1105140488 Shanghai SHIJIE JINGJI DAOBAO
in Chinese 2 May 88 P 3

[Article by reporters Pan Muping (3382 1970 1627) and Lin Hao (2651 6275): "Soviet Ambassador to China Answers Reporters' Questions"]

[Text] "While Soviet-Chinese relations have achieved enormous progress in economic and cultural areas, differences still exist in the understanding of certain issues. However, development is moving in the right direction. Certainly, it is unrealistic to want to restore the level of our relations to that of the 1950s, because as two great socialist countries, both the Soviet Union and China have their respective interests. Sometimes these interests coincide and at other times they do not. It is possible for the two countries to establish stable and friendly neighborly relations. I also do not think that an improvement in USSR-China ties will jeopardize the interests of third parties."

At a meeting with Chinese specialists and scholars in Shanghai last week, Troyanovskiy, the Soviet ambassador to China, gave his views on USSR-China relations, Soviet foreign relations, and on Soviet economic reforms. He also answered questions from the reporters.

Discussing the reforms in the USSR, the reporters noted that a foreign correspondent who had worked in Moscow for several years recently predicted that because Gorbachev was moving too fast and too far in implementation

of reforms and because of the tremendous resistance against them, Gorbachev was bound to fall in less than 2 years' time. The ambassador was asked to comment on this observation.

The ambassador replied that such predictions were erroneous. He said: Gorbachev enjoys extraordinary popularity and credibility among the people of the Soviet Union. The concept of the reforms was not something that just came out of someone's head, but rather was borne out of real life demands. We believe that the kind of working method that people were used to before the 27th CPSU Congress should be discontinued. In the past, the operation of our economic mechanism met with obstruction because some people were used to applying administrative means and not economic measures in managing the economy. Socialism became synonymous with egalitarianism. It is necessary to repudiate such attitudes. If someone works well, then he should earn more and have a better life. However, people are used to the equal distribution system, and today they are even unaccustomed to seeing someone work well and earn more.

The ambassador continued: The reforms involve a great but very complicated process. They touch on all political, economic, and social aspects. Without democracy and openness, the economy will not be able to move forward. One of the goals of the reforms is to allow every individual to give full play to his or her ability and intellect and to be rewarded accordingly.

The ambassador admitted that when the reforms were initiated, their complexities were not fully assessed. The recent uproar caused by "an open letter from a female schoolteacher of the Soviet Union" entitled "I Cannot Denounce Principles," published in SOVETSKAYA ROSSIYA, was an indication of the forces opposing reforms in the country. It reflected the sentiments of some people against the reforms, and consequently, elicited a strong reaction from PRAVDA. But the numerous letters received at PRAVDA demonstrated the people's support of PRAVDA's position as well as their profound support for the reforms.

The ambassador also did not think that the letter from the schoolteacher contained anything that more than meets the eye.

At this point, the ambassador told the reporters that the people of the Soviet Union were extremely interested in China's reforms. The embassy often receives letters from the Soviet Union discussing problems encountered in the implementation of reforms, and the letters inquire about how China solves these problems. The ambassador stated: Both the Soviet Union and China share many similarities, and while they can study each other's experiences in the implementation of reforms, they cannot copy them mechanically because national realities are, after all, quite different. The ambassador stressed: Both the USSR and China have something in common in

terms of ideology, and this is very important because in the past, we had great disputes in this area. Today, the Soviet Union and other socialist countries have adopted a new approach, that is, each country should decide its own course of development according to its national conditions, and there is no question of any one big state having a monopoly of truth.

When asked about reports of rapidly growing trade between the Soviet Union and Taiwan, the ambassador replied: No direct or indirect trade relations exist between the Soviet Union and Taiwan. Taiwan is a part of China, and the USSR's position on this issue has always been consistent and has never changed, even when USSR-China relations were at a low ebb.

The ambassador informed the reporters that the USSR minister of culture and other known personalities are scheduled to visit China in May. He added that the USSR-China commission on economic, trade, scientific, and technical cooperation will be convened in June, with the Soviet and Chinese commissioners headed by the USSR's first deputy chairman and economic planning minister and by Deputy Premier Tian Juyun, respectively, meeting for a third time.

The ambassador also revealed that the plenary session of the CPSU Central Committee to be held this June will assess all past undertakings, formulate the reform programme and the steps to be adopted, and discuss the separation of state and party functions and the creation of a new electoral system. In conclusion, the ambassador extended his best wishes to this paper and its readers.

Northeast Asia

Beijing Reduces Arms Supplies to DPRK
HK1105103288 Hong Kong AFP in English
1004 GMT 11 May 88

[Text] Hong Kong, May 11 (AFP)—China has been exporting fewer arms to North Korea since January and decided to cut electricity supplies to its neighbor in December, a newspaper here has reported.

"North Korea is very unhappy with these unilateral decisions made by China," SING TAO WAN PAO reported Tuesday.

(In Beijing, a spokesman for the Chinese Foreign Ministry said, however, "I have not come across this, nor do I believe that this report is based on reliable source.

("I can tell you that China and the DPRK (North Korea) are intimate and friendly neighbors. Our relations in various fields, including the economic and trade fields, have developed very well.")

The SING TAO WAN PAO said that Beijing has criticized the "individual worship" surrounding North Korean President Kim Il-Song.

"Kim Il-Song is vain and disregards the consequences" of his actions, the report quoted an unidentified senior lecturer of the Chinese Communist Party's Central Education Institute as telling a seminar in January.

"While we sincerely and truthfully deal with many unreasonable demands from Kim Il-Song, he does not show much respect to many of our leaders, including Comrade Deng Xiaoping," the lecturer reportedly said.

The report said North Korea had requested exchange visits by senior officials of the two countries in a bid to ease Pyongyang's worries over Beijing's economic and cultural links with South Korea developed in recent years.

Relations between China and North Korea have been strained for several years as Beijing has objected to Pyongyang's increasing military ties with the Soviet Union.

Beijing did not support Pyongyang's denials that it was responsible for sabotaging a South Korean Boeing 707 which crashed in November, killing all 115 people on board, nor did China refute allegations by Seoul, Tokyo and Washington that North Korea was responsible.

China's attitude in the matter suggested that it believed Pyongyang was responsible and was irritated at what it saw as dangerous political adventurism, Western analysts said.

Wu Xueqian Fetes DPRK's Kim Pok-sin, Delegation
OW1105123688 Beijing XINHUA in English
1152 GMT 11 May 88

[Text] Beijing, May 11 (XINHUA)—Wu Xueqian, member of the Political Bureau of the Chinese Communist Party Central Committee and vice-premier of the State Council, gave a banquet in honor of a party and government delegation from the Democratic People's Republic of Korea here this evening.

The Korean delegation is led by Kim Pok-sin, alternate member of the Political Bureau of the Central Committee of the Workers Party of Korea and vice-premier of the Administration Council.

Before the banquet, Wu and Zhu Liang, head of the International Liaison Department of the Chinese Communist Party Central Committee, held talks with the Korean delegation, which arrived here this morning.

Chinese State Councillor Meets DPRK Group
SK0905040188 Pyongyang Domestic Service in Korean
1300 GMT 2 May 88

[Text] At the Great Hall of the People in Beijing on 30 April, Comrade Li Tieying, member of the Political Bureau of the CPC Central Committee and member of

the State Council, met with the visiting delegation of the Central Committee of the Korean Red Cross Society led by its Vice Chairman Yi Song-ho.

At the meeting, talks were held in a friendly atmosphere. Zhang Ming, vice chairman of the China Red Cross Society, and Sin In-ha, Korean ambassador to China, were on hand.

Japanese Opposition Urges LDP's Okuno To Resign
OW1005170988 Beijing XINHUA in English
1524 GMT 10 May 88

[Text] Tokyo, May 10 (XINHUA)—The opposition camp today blasted a Cabinet minister for repeated remarks justifying Japan's behavior during World War II and demanded he be sacked or forced to resign.

The opposition—Japan Socialist Party (JSP), Komeito, the Democratic Socialist Party and the Communist Party—all voiced their insistence that Seisuke Okuno be dismissed.

Senior Diet member Shun Oide, a prominent Socialist Party member, told reporters that National Land Agency Director General Okuno is not fit to be a Cabinet minister since his repetition Monday of a statement similar to the one he made April 22 in which he defended Japanese aggression against China and other Asian nations.

Okuno, 74, a leading hawk in the ruling Liberal Democratic Party (LDP), told a House of Representatives Audit Committee meeting Monday that Japan "had no aggressive intention when it started the Pacific war in 1941."

Okuno said the Far East military tribunal held in Tokyo after the war to deal with Japanese war criminals was simply "an arena of punishment by the war victors over the loser."

Today, he again defended Japan's wartime aggression against Asian nations, saying, "I don't want to describe it as an aggressive war because both many Japanese and Chinese were killed."

On April 22, Okuno said at the Diet that Japan had not been the aggressor in the war and fought to protect itself at a time when the white race had turned Asia into a colony."

He also said the Japanese people had been "twisted around" by Chinese leader Deng Xiaoping, who told a visiting LDP leader last month that he regretted the existence of a handful of Japanese rightists attempting to damage friendly Sino-Japanese relations.

Prime Minister Noboru Takeshita today refused to comment on Okuno's remarks when asked for a comment by a group of Japanese reporters.

But Foreign Minister Sosuke Uno disputed Okuno's remarks. He made it clear that it was his position that Japan had launched a war of aggression against China.

Speaking at the House of Councillors' Foreign Affairs Committee meeting today, Uno said, "I neither defend or criticize Mr. Okuno's remarks. I think we should be fully aware of the condemnation worldwide that the war was launched under militarist reins."

Chief Cabinet Secretary Keizo Obuchi told a lower house Cabinet committee session that he will inform Okuno of the government's position that there was an aggressive nature to Japan's military action during the war, but he declined to comment specifically on Okuno's remarks.

Further on Opposition's Efforts
HK1105125588 Beijing ZHONGGUO XINWEN SHE
in Chinese 1414 GMT 10 May 88

[Text] Tokyo, 10 May (ZHONGGUO XINWEN SHE)—The remarks by Seisuke Okuno, director general of the National Land Development Agency, denying that Japan launched a war of aggression, has evoked strong reactions in Japanese political circles. Today, the opposition parties held a Parliamentary Affairs Committee meeting and unanimously demanded that Okuno resign or be dismissed from office. However, Okuno still adhered to his viewpoint today. The leader of the Japanese ruling party indicated that he is worried that the state of affairs may become more complicated.

The four major opposition parties, namely the Socialist Party, the Clean Government Party, the Democratic Socialist Party, and the Communist Party, today held a Parliamentary Affairs Committee meeting and unanimously demanded that Okuno take the blame for his remarks and resign from office. The chairman of the Parliamentary Affairs Committee, who is a member of the Socialist Party, pointed out at the press conference: "Okuno should resign from office, or should be dismissed by Prime Minister Takeshita. In short, this person is no longer suited to be a member of the Cabinet."

Okuno's speeches also caused a headache for the ruling party. This morning, before the Cabinet meeting, Prime Minister Takeshita listened to a relevant report by the chief Cabinet secretary. Then Foreign Minister Uno, who had just returned from China, had a talk with Okuno hinting that he should be more careful and prudent. At the press conference after the Cabinet meeting, Okuno on the one hand said that he supported the development of Sino-Japanese friendship, and on the other maintained that Japan's war against China could not be called a war of aggression. Ito, secretary general of the Liberal Democratic Party, indicated that Okuno's

remarks may cause trouble regarding Prime Minister Takeshita's visit to China in August, and he was worried that the state of events may become more complicated.

Japanese Chief Cabinet Secretary Keizo Obuchi said that the Japanese Government had not changed its position on the war of aggression launched by Japan, and he said that such a war must not occur again. He said that the Japanese Government has noticed the criticisms of the "war of aggression." Japanese Foreign Minister Uno also pointed out at today's Senate Foreign Affairs Committee meeting that the Pacific war was a war of aggression launched by the militarists.

Daily Refutes Okuno Statement

HK1105033488 Beijing XINHUA Hong Kong Service
in Chinese 0130 GMT 11 May 88

[Report: "RENMIN RIBAO Short Commentary: What Did Okuno Try to Do?"]

[Text] Beijing, 11 May (XINHUA)—RENMIN RIBAO today published a short commentary entitled "What Did Okuno Try to Do?" and the text is as follows:

Before the 10th anniversary of the conclusion of the Sino-Japanese Peace and Friendship Treaty and the imminent visit of Prime Minister Takeshita to China, Seisuke Okuno, as a member of the Japanese Cabinet, once again openly reversed the verdict on the war of aggression launched by Japan and on the Japanese war criminals on 9 May. We must ask: What was Okuno trying to do?

On 22 April, Seisuke Okuno paid homage to the Yasukuni Shrine in an official capacity, and then claimed that "Japan has never been an aggressor nation." He even said that the Japanese citizens were "ordered about" by the statements of Chinese leaders. His ridiculous remarks immediately evoked strong reactions in both China and Japan. The spokesmen for the Chinese Foreign Ministry and the Chinese media solemnly refuted Okuno's remarks. The Japanese opposition parties and public opinion also explicitly opposed Okuno's statement and demanded that Okuno be blamed for uttering irresponsible nonsense as a member of the Cabinet. In addition, some Asian countries which deeply suffered from Japan's aggression also strongly condemned Okuno for reversing the verdict on Japan's aggression. However, after using lame arguments to defend himself at a parliament meeting on 25 April, Okuno again repeated his ridiculous statement that Japan "did not have any intention of aggression" in those years. It seems that Okuno is not "making introspection" as Prime Minister Takeshita said; instead, he still sticks to his stubborn position.

The verdict on the aggression committed by the Japanese militarists during World War II has long been made in history and has generally accepted by the whole world. No person can change this verdict at will. Okuno dared to risk universal condemnation and repeatedly uttered

nonsense on this issue. This could not but aroused great indignation among the Chinese people and the people in other countries. People have noticed that in Japan there exists a right-wing force which is hostile to Sino-Japanese friendship and is continuously carrying out various activities to undermine friendly relations between the two countries. Okuno's clamor catered to their likes. There is a "comrade association on basis state issues" inside the Liberal Democratic Party of Japan, and this organization openly adopted a "resolution" to support Okuno. Therefore, the handling of Okuno's remarks and activities is not an issue merely concerning his personal "outlook on history;" instead, this is an issue of whether the events that have affected Sino-Japanese relations can be properly handled without delay on the basis of the principles of the Sino-Japanese Joint Statement and the Sino-Japanese Peace and Friendship Treaty.

We hope that the Japanese Government will be able to take effective steps to stop the development of any events that are not favorable to Sino-Japanese relations so as to maintain Sino-Japanese friendship.

Takeshita on Okuno Remarks

OW1105081088 Beijing XINHUA in English
0729 GMT 11 May 88

[Text] Tokyo, May 11 (XINHUA)—Japan will deal with Sino-Japanese relations in accordance with earlier acknowledgements that its World War II conduct was aggression, Prime Minister Noboru Takeshita said here today.

Takeshita's remarks on China came at today's Senate session in response to Cabinet Minister Seisuke Okuno's defense of Japan's Second World War action.

Okuno, National Land Agency director general, had said he believed that "Japan was not the aggressor in the war and had fought to protect itself." At a May 9 session of the house of representatives, he continued his defense of Japan's war record, insisting that Japan had no intention of aggression in those years.

But Takeshita noted that the 1972 Japan-China joint statement contains a statement expressing Japan's responsibility for the sufferings it brought about on the Chinese people during wartime.

The prime minister said Japan's action in the war was seriously criticized worldwide and was considered aggression. This is a fact from which the Japanese Government will be ever more determined to march towards peace and not allow a reoccurrence.

Meanwhile, Japan's press, including "ASAHI SHIMBUN" and "MAINICHI SHIMBUN," also carried articles and editorials criticizing and refuting Okuno's remarks.

Wu Xueqian Denounces Remarks
OW1105133188 Tokyo KYODO in English
1306 GMT 11 May 88

[Text] Beijing, May 11 KYODO—Chinese Vice Premier Wu Xueqian Wednesday denounced a series of remarks made by Japanese Cabinet Minister Seisuke Okuno defending Japan's wartime actions.

Wu made the criticism when he met Mutsuko Miki, wife of former Japanese Prime Minister Takeo Miki, and her party which is visiting China for an 11-day exhibition of Miki's artistic works opening here Tuesday.

Wu criticized Okuno, head of the National Land Agency, for distorting history and making remarks unfavorable to friendly relations between Japan and China.

On Japan-China relations, Wu said they are favorable in general but that some issues remain to be settled between the two countries.

Both countries should cope with the issues on the basis of the 1972 Joint Statement and the 1978 Peace and Friendship Treaty, Wu said.

Wu was the second top Chinese Government official following Foreign Minister Qian Qichen to criticize Okuno's remarks.

Southeast Asia & Pacific

Burmese Minister U Ye Gaung Continues Visit

Talks With Chen Muhua
BK0805092288 Beijing International Service
in Burmese 1130 GMT 6 May 88

[Text] Chen Muhua, vice chairman of the Chinese National People's Congress Standing Committee, received Burmese Foreign Minister U Ye Gaung and his entourage in Beijing this morning. At the meeting, Vice Chairman Chen Muhua briefed the visitors about the economic situation in China and the recently concluded first session of the Seventh NPC.

She said the NPC wants to have more contacts with the Burmese Parliament in order to strengthen mutual understanding and friendship.

Foreign Minister U Ye Gaung said he hoped that Vice Chairman Chen Muhua will pay a visit to Burma at a time convenient to her. He said projects being undertaken in Burma with China's assistance are progressing smoothly and expressed his thanks for the assistance provided by China.

Talks With Li Peng
BK0805085888 Beijing International Service
in Burmese 1130 GMT 6 May 88

[Text] Chinese Premier Li Peng had a meeting with Burmese Foreign Minister U Ye Gaung in Beijing this evening. The host and the guest had a cordial round of talks at the meeting.

Li Peng said Foreign Minister U Ye Gaung was an old friend since he has visited China three times.

Foreign Minister U Ye Gaung said his current visit was aimed at developing the friendly relations between Burma and China. He said his visit, soon after the completion of the first meeting of the Seventh National People's Congress, was to renew acquaintances with old friends as well as to make new friends.

While conveying Prime Minister U Maung Maung Kha's good wishes and greetings to Premier Li Peng, U Ye Gaung also extended an invitation to the Chinese leader, on behalf of the Burmese prime minister, to visit Burma at a time convenient to him.

Prime Minister Li Peng said the very best of friendship fostered and nurtured personally by Premier Zhou Enlai and Chairman U Ne Win now exists between China and Burma. He also noted Chairman U Ne Win's 12 visits to China.

Li Peng To Visit Burma
HK0905141288 Beijing ZHONGGUO XINWEN SHE
in Chinese 1229 GMT 6 May 88

[Text] Beijing, 6 May (ZHONGGUO XINWEN SHE)—Chinese Premier Li Peng this afternoon accepted an invitation to visit Burma, which has a "paukphaw" relationship with China. The actual time of the visit will be set through diplomatic channels.

The Burmese prime minister's invitation was passed to Li Peng by Burmese Foreign Minister U Ye Gaung when the Chinese leader met with him here today.

U Ye Gaung also conveyed the best regards of Prime Minister U Maung Maung Kha, President U San Yu, and Chairman U Ne Win to the new and veteran Chinese leaders.

U Ye Gaung said that the purpose of his current visit is to further develop friendly Burmese-Chinese relations, visit old friends, and make new friends. He said that his "visit to China is successful." U Ye Gaung told Li Peng that Burma is very much interested in China's development and is also grateful to China for its sincere aid to Burma. The Rangoon-Dingyin railway and highway bridge and the Rangoon Theater, two projects being built with Chinese aid, are proceeding smoothly.

Li Peng gave an account of the First Session of the Seventh NPC to the guest. Li stressed that China will continue the policy of reform and opening up and maintain steady economic development in the years ahead.

Li Peng also mentioned the difficulties in China's development, which included the problems of prices and agriculture.

Singapore Workers Protest U.S. Diplomats' Actions

*OW1105103788 Beijing XINHUA in English
0956 GMT 11 May 88*

[Text] Singapore, May 10 (XINHUA)—More than 4,000 Singapore workers staged a protest rally here this afternoon in protest against a U.S. diplomat's meddling in Singapore domestic affairs.

The rally was organized by the National Trade Union Congress (NTUC), the only federation of employee unions in Singapore, to support the government's protest last weekend against interference activities by E. Mason Hendrickson, first secretary (political) of the U.S. Embassy here, and two U.S. State Department officials.

Hendrickson was accused of encouraging local lawyers to stand for elections and team up with a detained lawyer, Francis Seow, against the ruling People's Action Party in the next general election.

Singapore asked the U.S. to recall Hendrickson and he left Singapore last night. The U.S. in return, asked Singapore yesterday to recall the first secretary (political) of the Singapore Embassy to the U.S., Robert Chua Hian Kong, local press reported today.

Delivering a speech at the rally, second deputy prime minister and NTUC secretary-general Ong Teng Cheong said that Singapore is not anti-American "but we do not welcome any anti-Singapore foreign elements to meddle in our domestic politics."

Protesters today carried placards and banners bearing slogans such as "Singapore Is an Independent Country, the U.S. Stop Interference," "American Hands Off Singapore" and "Americans Stop Interference in Singapore Domestic Politics."

3 SRV Vice Premiers Relieved of Posts

*OW1105072088 Beijing XINHUA in English
0654 GMT 11 May 88*

[Text] Hanoi, May 11 (XINHUA)—Three Vietnamese vice premiers were relieved of their posts on Tuesday, but no official reasons for the dismissals were given, the local press reported today.

Those dismissed were, Doan Duy Thanh, Nguyen Ngoc Triu and Nguyen Van Chinh, all vice chairmen of the Council of Ministers, according to the reports.

The decision was made at a meeting of the State Council of Vietnam chaired by its president Vo Chi Cong. The council also decided that the third conference of the National Assembly would be held in late June.

Observers here believe that dismissing the three vice chairmen is aimed at opening a way to reform of the Vietnamese Government at the forthcoming National Assembly conference.

West Europe

Ireland's President Hillery Continues Visit

Meets With Yang Shangkun

*HK1005092088 Beijing ZHONGGUO XINWEN SHE
in Chinese 0641 GMT 9 May 88*

[Report by reporter Li Wei (2621 0251): "State President Yang Shangkun Says China Should Not Make Mistakes and Should Cooperate With Foreign Countries in Achieving Its Goals"]

[Text] Beijing, 9 May (ZHONGGUO XINWEN SHE)—Yang Shangkun, PRC state president, told Irish President Patrick John Hillery during his first visit to China that China must realize the goal of catching up with the middle-ranking advanced countries by the middle of the next century. He added that "China will still have to travel a difficult path, should objectively avoid making mistakes, and should cooperate with the other countries of the world."

He stressed: "China's most important task is to better construct the country and concentrate the whole country's efforts on economic development. Therefore, China's foreign policy is to maintain world peace, to open up to the outside, and to implement reforms inside China."

Yang Shangkun also pointed out that a new world war is not expected in the future. He said: Although the USSR and the U.S. are engaged in an arms race, a great problem threatening world peace, China considers that the general trend is that the forces of peace will be stronger than the threat of war. China's development will strengthen the forces of peace, and China hopes Europe, including Ireland, will also strengthen the forces of peace.

In discussing Sino-Irish relations, Yang Shangkun said: Although China and Ireland have different social systems, they have no conflict of interest, and relations between the two countries have developed well. He said:

"China hopes to further develop various aspects of relations with Ireland." He said that President Hillery's visit to China "is a very important step in developing Sino-Irish relations."

Hillery told Yang Shangkun: Ireland greatly values China's role in safeguarding world peace and appreciates China's efforts in developing Sino-Irish relations. Ireland is willing to cooperate with China in achieving economic development and maintaining world peace.

Hillery said that his visit to China is the realization of "one of his dreams." He added that what he has heard about China since he took office have indicated its policy of friendship and peace.

He also said that Ireland has been paying attention to China's development and is very interested in China. With one-fifth of the world's population, Hillery said, China has a great potential for development. He wished China smooth development in all fields, and expressed the hope that economic, trade, and cultural exchanges between the two countries will become more active.

President and Mrs Hillery and his party arrived in Beijing last night. His official visit to China will last 8 days. He is the first Irish president to visit China and the first foreign head of state invited by Yang Shangkun since he became state president.

Before the meeting, Yang Shangkun held a welcoming ceremony in the honor of President and Mrs Hillery in the square in front of the east gate of the Great Hall of the People. Yang Shangkun accompanied President Hillery while he reviewed the guard of honor of the three services. Yang Shangkun will hold a banquet to welcome the Irish guests tonight.

Investment Talks With Zhao Ziyang
*OW1105010188 Beijing XINHUA Domestic Service
in Chinese 1335 GMT 10 May 88*

[Text] Beijing, 10 May (XINHUA)—Zhao Ziyang, general secretary of the CPC Central Committee, said here today: China wants to develop economic cooperation with other countries.

He said: China will use foreign technology and capital and participate in international market exchange and competition.

Zhao Ziyang met with Irish President Patrick John Hillery and his party at Zhongnanhai this afternoon.

Zhao Ziyang briefed the guests on China's economic development.

He said: "In the past, we believed that we did not have to borrow money from abroad, nor did we need domestic loans for economic development. As a result, China's

economic development slowed down. We have changed our attitude and begun to borrow money from both abroad and at home in recent years."

Zhao Ziyang said: China adheres to three principles in using foreign loans: One is that although foreign loans are necessary, we must not borrow too much. The next is that foreign loans must be put to good use and used in truly profitable economic projects. The third is that repayment must be carefully considered before the money is borrowed.

He said: China has a long, arduous way to go in becoming well-off.

He said: Several decades of experience show to us two things: First, China's socialist system suits the country's situation and without socialism it would be very difficult for a big country like China to have stability and unity. Second, China as a big country has to take a road which is different from that of other socialist countries and build socialism with Chinese characteristics. In this regard, we must carry out a series of reforms and open to the outside world, and China's rapid and smooth progress over the past 10 years testifies to this.

Hillery also briefed Zhao on Ireland's economic development.

During the cordial conversation, Zhao Ziyang said that President Hillery's visit to China is an important event in the history of Sino-Irish relations. He said: "Sino-Irish relations are good, and I believe that the visit will further promote the development of relations between our two countries."

Zhao Ziyang expressed appreciation for President Hillery's concern about the growth of Sino-Irish relations.

Hillery expressed great satisfaction with his current visit in China and the belief that the relations between Ireland and China relations will mature further.

The Irish guests toured the Great Wall, the Ming Tomb, and the Summer Palace today.

Yang Shangkun Bids Farewell
*OW1105031288 Beijing XINHUA in English
0149 GMT 11 May 88*

[Text] Beijing, May 11 (XINHUA)—Irish President Patrick John Hillery, Mrs. Hillery and their party left here this morning for a tour of Shandong Province, Shanghai and Suzhou Cities.

Earlier Chinese President Yang Shangkun bid them good-bye at the Diaoyutai State Guesthouse. Both presidents agreed that Hillery's visit is successful.

Yang said, the Irish president's China visit has promoted mutual understanding and bilateral relations. There exist great potentials for development of bilateral relations in all fields, Yang said.

Hillery described his meetings with Chinese leaders as "very important," enabling him to have a better understanding of China's plan and analysis for the future.

He expressed his hope for more contacts between the two countries.

Accompanying the Irish president on the tour is Qin Zhongda, chairman of the Chinese Government reception committee and minister of chemical industry.

UK's Thatcher Receives Rong Yiren 10 May
OW1105011188 Beijing XINHUA in English
0001 GMT 11 May 88

[Text] London, May 10 (XINHUA)—British Prime Minister Margaret Thatcher met with Rong Yiren, vice chairman of the Standing Committee of China's National People's Congress (NPC) at No 10 Downing Street this afternoon.

Chinese officials told XINHUA that Rong, who is leading a Chinese NPC delegation on a friendly visit to Britain, conveyed to Mrs. Thatcher cordial greetings from General Secretary Zhao Ziyang, Chairman Deng Xiaoping and Premier Li Peng.

Rong also briefed the British prime minister on last year's 13th National Congress of the Communist Party of China and the recent first plenary session of the Seventh Chinese National People's Congress.

Mrs. Thatcher and Rong expressed satisfaction over the development of Sino-British relations in recent years and hoped that further efforts will be made to expand trade and economic cooperation between the two countries.

A Downing Street spokesman told XINHUA that they had a "warm and friendly discussion" and as Rong is chairman of the Chinese International Trust and Investment Corporation (CITIC), there was a discussion on prospects for trade "the prime minister mentioned one or two specific projects", he added.

Chinese Ambassador to Britain Ji Chaozhu was present on the occasion.

FRG To Use Chinese Satellite for Research
OW1005211288 Beijing XINHUA Domestic Service
in Chinese 0600 GMT 7 May 88

[Text] Bonn, 6 May (XINHUA)—In July this year, West Germany will use China's retrievable satellite to conduct two research projects under the weightless condition in space, the West German Ministry for Research and Technology announced today.

China will launch a satellite via a "Long March-2" rocket. The experiment module on the satellite will carry two sets of West German equipment, one for monitoring and recording the external conditions during the flight, and the other for conducting experiments in the growth of protein crystals.

West German Minister for Research and Technology Riesenhuber stressed that cooperation in science and technology has thus far been very successful between West Germany and China, especially the cooperation given by West German enterprises in building China's DFH-3 radio and television satellite and the cooperation between the West German Aviation and Space Research and Experiment Bureau and the China Astronautic Technology Research Institute. A joint symposium on micro-gravity, he said, is scheduled to be held in Bonn next December, the 10th anniversary of cooperation in science and technology between the two sides.

East Europe

XINHUA 'News Analysis' on Polish Reform
OW0805172788 Beijing XINHUA in English
027 GMT 7 May 88

["News Analysis: Price-Pay Imbalance Encumbers Polish Reform"—XINHUA headline]

[Text] Warsaw, May 7 (XINHUA)—Poland's economic reform, which has just entered its second phase this year, is meeting difficulties and being troubled by an imbalance between price and payment increases.

The government planned to reform the country's pricing system over the next three years as part of its economic reform program. But some enterprises, by taking advantage of the decision-making powers granted to them by the authorities, have raised prices by big margins.

Earlier reports say prices rose 42 percent and wages 45 percent in the first quarter of 1988, exceeding annual planned targets of 34 percent for wages and 36 percent for prices.

Neither the government nor the people are satisfied with the unbalanced increase rates, and the labor unrest now spreading over the country from the steelworks strike in Krakow and the shipyard strike in Gdansk is believed to be a result of that divergence.

The Polish Government, having recognized that the model of socialism formed during the 1950s and 60s hampered economic progress because it no longer suits changed conditions, initiated an ambitious reform program in 1982, with a market economy as its guide.

To this end, the government has enforced several price hikes in an effort to revise the irrational pricing system. A government proposal for a further 110 percent price hike was turned down in a nationwide referendum last

November, and the government has decided to spread out the planned price increase over three years while increasing payments to workers to insure a stable standard of living.

The concern of the Polish Government is that pay increases, outpacing those in price, are disrupting the reform blueprint aiming at developing Poland's national economy. However, Poles take pay increases for granted but oppose price hikes, especially when wage scales do not keep pace with price scales.

Different views towards this imbalance have led to different attitudes. The government's response to demands for additional pay increases is that they will worsen inflation and will put a premature end to the reform.

Beginning April 1, enterprises leased to individuals are allowed to hire a maximum of 250 workers as against the previous 20.

Some 300 enterprises that had been under the control of ministries or state commissions have been transferred to provincial authorities as a step to streamline government bodies and decentralize powers.

The government decided on April 11 to establish nine state-run credit banks which will assume responsibility for their own profits and losses, as a means to encourage competition.

Directors of all enterprises will be paid in accordance with the economic performance of their enterprises.

Poland's economic reform is a bold and resolute venture, but its achievements may not be apparent for two or three years. Meanwhile, Polish Vice Premier Zdzislaw Sadowski says, the atmosphere around the pricing system continues to be the biggest threat to reform.

Although the current wave of labor unrest is making it difficult, the government is determined to carry out economic reform. Polish leader Wojciech Jaruzelski said Sunday that the government would not back down.

Hu Qili Meets Bulgarian Delegation
OW0805134988 Beijing XINHUA in English
1409 GMT 7 May 88

[Text] Beijing, May 7 (XINHUA)—Hu Qili, Standing Committee member of the Political Bureau of the Chinese Communist Party Central Committee, welcomed a delegation from Bulgaria's Fatherland Front to China today.

The Bulgarian delegation, which is visiting China on the invitation of the Chinese People's Political Consultative Conference (CPPCC) National Committee, is headed by the front's Chairman Pencho Kubadinsky, who is also

member of the Political Bureau of the Bulgarian Communist Party Central Committee. Kubadinsky was invited to attend the Chinese Communist Party's Eighth National Congress 32 years ago.

The Fatherland Front and the CPPCC are two widely-represented organizations and their existing bilateral ties are important in promoting cooperation, friendship and mutual understanding, Hu said.

Yan Mingfu, vice-chairman of the CPPCC National Committee, and Doncho Donchev, Bulgarian ambassador to China also attended today's meeting where Hu briefed the Bulgarian guests on the progress in China's reform.

Later today, Vice-Chairman of the CPPCC National Committee Wang Renzhong hosted a banquet in honor of the Bulgarian delegation.

Wife of Bulgaria's Todorov Expelled From Party
OW1005200688 Beijing XINHUA in English
0613 GMT 10 May 88

[Text] Sofia, May 9 (XINHUA)—The wife of the chairman of the Bulgarian National Assembly has been expelled from the Bulgarian Communist Party for taking what the government called "radical action" in coping with environmental pollution caused by a neighboring Romanian city.

According to reliable sources, Sonia Todorowa, wife of Assembly Chairman Stanko Todorov and editor in-chief of the magazine TODAY'S WOMEN, joined with some influential Bulgarian intellectuals to form a committee for environmental protection of the Bulgarian city of Ruse without permission.

Ruse is across the Danube River from the Romanian city of Giurgiu, where a chemical factory has seriously polluted the Bulgarian city's environment.

Air pollution from Giurgiu has enraged Ruse's citizens, who urged the Bulgarian Government to act to protect their city's environment.

Todorowa and her 100-plus member committee took what the government called "radical actions and public activities" which the Bulgarian Government said have negatively impacted relations between the two countries.

After the incidents, the Bulgarian Communist Party Politburo agreed to widen environmental protection and set up a Ministry of Soil, Forest and Natural Environmental Protection.

Nikolai Djulgerov, chairman of the Bulgarian Committee for Environmental Protection, announced today that May has been designated environmental protection month in Bulgaria.

Stalin's Portrait Reappears in Tiananmen Square
AU1005200888 Belgrade POLITIKA in Serbo-Croatian
29 Apr 88 p 4

[TANJUG report: "Stalin's Portrait in Tiananmen Square Again"]

[Text] Beijing, 28 Apr — Three days before 1 May, a large portrait of Josif Visarionovich Stalin appeared in the biggest square in the world; the Tiananmen Square in the center of Beijing. Along with the portraits of Marx, Engels, and Lenin, Stalin's portrait, about 3 meters high mounted on a stand over 2 meters high will remain throughout the May Day holidays in Tiananmen Square where the PRC was proclaimed in 1949.

The reappearance of Stalin's portrait has caused certain protests in some Chinese circles. According to Chinese sources, the fact that China still has not mustered enough strength to remove Stalin's picture shows that it is still incapable of completely breaking away from vestiges of dogmatism, and even with some vestiges of feudal heritage and practice. At the same time, this shows that Beijing has still not changed its official view of Stalin according to which Stalin "was right" 70 percent of the time and wrong 30 percent. Apart from Albania, China is probably the only country in the world in which Stalin is still considered a "great Marxist."

Stalin's portrait was placed in Tiananmen as far back as the end of the fifties and beginning of the sixties where — together with the portraits of Lenin, Marx, and Engels — it stood until the end of the "Cultural Revolution." When China adopted its new policy it mustered the strength to remove all those portraits, but with the compromise of taking them from the Military Museum and placing them in the square every year for the Republican Day and May Day. China has started settling accounts with dogmatism and even Stalinism, but it still has not completed the task.

The Chinese press has recently carried a number of very harsh articles which criticize not only Stalin but a number of his "theories" as well. His view of economic development, which was also implemented in China, was criticized particularly harshly. Changing its economic system, China now renounces Stalin and his "doctrines" in practice, but the official view has retained the assessment dating from the beginning of the sixties.

Stalin's book "History of the Soviet Communist Party (Bolsheviks)" was also harshly criticized at a meeting of Chinese scientists in Shanghai as a work which not only distorted history but also caused harm to the development of the economy and society. This criticism was all the more striking when one knows that the majority of communists in China, as well as in many other socialist countries, studied Marxism from that very book.

The film "Battle for Moscow" in which Stalin appears among others was shown on Chinese television last night. Many Chinese who are acquainted with the history of those times are of the opinion that marks left by Stalin have still not been erased in China and that, irrespective of the fact that in practice his theories have been abandoned, the official view on Stalin will still remain intact. How long is that will last depends on the development of Chinese society, as well as on the Chinese leadership's courage in treating history and historical personalities in the way they really deserve and not in the way the politics of the day once demanded.

GUANGMING RIBAO Criticizes Leftism
HK1105103688 Hong Kong AFP in English
1021 GMT 11 May 88

[Text] Beijing, May 11 (AFP)—China remains largely paralysed by dogmatic cadres who prevent reforms from being fully implemented and provoke futile ideological disputes which must be ended, the GUANGMING DAILY said Wednesday.

In the harshest criticism of the conservative wing of the Chinese Communist Party to appear in months, the official newspaper said each time new reforms are announced, "there are always people doubting or arguing about whether they are capitalist or socialist in nature."

Theory in China generally lags behind practice and theoretical research centers too heavily on politics, the newspaper for intellectuals said.

"As reforms intensify, the more resistance they encounter from the old ideas," the GUANGMING DAILY said.

"It cannot be denied that dogmatism continues to block people's minds in many domains and hinders modernization," it said, calling for people to "break with old ideas" that are isolationist and rigidly Marxist.

The newspaper said "leftist influences" remain present in China to the point where some leaders continue to reject anything from abroad as "revisionist" or "bourgeois."

The GUANGMING DAILY said China should borrow "many things" from capitalist theory, especially to do with the economy.

Millions of Chinese Communist Party cadres see their power and privileges diminishing as economic reforms progress.

Together with the orthodox old guard of the party leadership, they constitute the bulk of the anti-reformists, analysts said.

Communist Youth League Elects Leaders
OW1105075488 Beijing XINHUA in English
0714 GMT 11 May 88

[Text] Beijing, May 11 (XINHUA)—Song Defu, 42, and seven other incumbent secretaries of the Chinese Communist Youth League Central Committee, were re-elected to their posts at the First Plenary Session of league's 12th Central Committee which ended today.

The plenary session opened yesterday when members of the Chinese Communist Youth League Central Committee elected 25 standing members from 27 candidates.

One of the two candidates who was eliminated in yesterday's election was Yang Xi, 31, a member of Chinese women's volleyball team. Although league members respect her, and many asked for her autograph, most did not vote for her because they were afraid she lacked experience.

Song Defu, keeping his position as first secretary, won a majority of the votes because he has been successfully involved in youth work for 16 years.

Since Song became the youth league's top leader in 1985, he has displayed a down-to-earth attitude and often visits local youth league organizations to check them out and offer guidance.

The two major tasks facing the league's new Central Committee are how to better mobilize the country's 60 million youth league members and other young people nationwide in China's social reform and economic construction, and how to make the league more active through the league's own reform, Song said.

To achieve this five-year goal, Song promised to create a more important role for the Chinese Communist Youth League and urged all members to make themselves more capable and qualified.

Members Object to Election Method
HK1005141088 Beijing RENMIN RIBAO in Chinese
6 May 88 p 4

[Report by Tang Weihong (0781 4850 4767): "Delegates Differ in Opinion at 4 May Meeting of 12th CYL Congress"]

[Text] The day after the opening of the 12th CYL Congress, some 20 delegates took the floor, raising their objection to the election method. As a result, the meeting was prolonged for more than an hour. The election method was adopted in principle with 131 against and 241 abstentions.

What is the delegates' appraisal of yesterday's meeting? With this question in mind, this reporter interviewed several delegates.

Yu Guangyao, a delegate from Shanghai, said that yesterday's meeting fully embodied the spirit of democracy and openness. Since the 13th party congress had a great degree of transparency, the CYL should also hold its meetings openly.

In my opinion, another Shanghai delegate Xu Jianmin said, we should have a sense of democracy as well as democratic quality. The higher the level of education, the better the quality of democracy. To exercise our democratic rights and enhance the ability to take part in political affairs, it is necessary to increase the democratic quality of the delegates.

Ru Tao, a student representative of Fudan University, said that the atmosphere at yesterday's meeting was exciting. We now have the channel to exercise our rights. The speeches made by some delegates revealed their poor quality. It is indeed difficult to raise your hands without blindly following others.

The secretary of the Jixi CYL committee, Heilongjiang, said: "In the speeches they made yesterday, the delegates proposed conducting the election with more candidates than the number of seats. Since the method is applied in electing governors and mayors, why can't the CYL Central Committee follow this example? We should have faith in the delegates and let the delegates exercise their democratic rights. (Editor's note: In light of the election method stipulated by the 12th CYL Congress, members and alternate members of the CYL Central Committee will first be elected according to the method of more candidates than the number of seats and then be elected with an equal number of candidates to the number of seats.)

When many delegates have raised objections to the election method, they said, it would be inappropriate to vote by a show of hands merely for the purpose of fulfilling an item on the agenda. Guo Jianyue, a member of the CYL committee of the Tianjin economic and technological development zone, expressed the belief that it was normal for the congress to follow the agenda yesterday. He continued: "Democratic building constitutes a process. Although this election method is still conservative, it would be unrealistic to demand all-round openness immediately. The speeches delivered yesterday indicated the seriousness and responsibility of the delegates. The atmosphere of democracy should run through the entire congress. When I return home, I will also encourage this democratic work style at the grass-roots levels."

Guo Zhi, another delegate from Tianjin, said that the delegates could not express their views because there was not enough time for them to discuss the election method. (Editor's note: According to the agenda of the congress, panel meetings were held on the evening of 3 May to deliberate the Draft Election Method of the 12th CYL Congress, the delegates visited a park on the morning of 4 May, and the Election Method of the 12th CYL

Congress was adopted at the opening ceremony on the afternoon of 4 May.) He continued: "The meetings of the CYL should be held more openly. Breakthroughs can be made first in certain aspects. On the whole, yesterday's meeting was unconstrained."

Wang Ruoshui Article Views Personality Cult
HK1005130288 Hong Kong CHING PAO in Chinese
No 4, 10 Apr 88 pp 24-27

[Article by Wang Ruoshui (3769 5387 3055): "The Personality Cult and Ideological Alienation—Replies and Discussions (Part I)"]

[Text] Can We Discuss This Issue? [subhead]

In early 1984, Hu Qiaomu published a lengthy article "On Humanism and the Issue of Alienation" and systematically criticized my point of view. As for the issue of humanism, I made a reply in my article "My Opinion on Humanism." (footnote: This article has not been published in newspapers or magazines, but was included in the book "In Defense of Humanism," published by the Joint Publications Bookstore in 1986.) At the end of that article, I wrote: "I will discuss the issue of alienation in another article." However, I did not start to write the second article for a long time, because the issue of alienation is even more sensitive than the issue of humanism. Even if I wrote such an article, could it be published in any magazine or newspaper? Could this issue be discussed?

At the beginning, it seemed that this issue could be discussed. On 12 April 1983, RENMIN RIBAO published a speech by Deng Liqun, the then director of the CPC Central Propaganda Department, who said: "It is rather beneficial to discuss the issues of humanism, human nature, and alienation as academic issues." "It is not good to draw a political conclusion on people who discuss such issues, and it is necessary to adhere to the 'double-hundred' policy and to prevent the appearance of a tense atmosphere."

It seemed that the policy was clear and plain, but the facts were exactly different. How should we understand this?

If we carefully study Deng Liqun's speech, we may find that he only allowed such issues to be discussed as "academic issues." In general, people thought that he regarded the issues of humanism, human nature, and alienation as academic issues, so they could be discussed. However, his words could be understood another way: that is, these issues could be discussed only when they were treated as academic issues, but if they were treated as political issues, things would be quite different. So Deng Liqun did not go back on his own word, but the comrades who discussed these issues at ease did not correctly understand the actual meaning of Deng's words. The second point was what he really meant.

However, something still was not clarified. The premise of the second explanation should be that "all political issues cannot be discussed." Could this premise be tenable? If people could not discuss political issues, how could we say that the people are masters of the state? How could we practice socialist democracy? Moreover, it is hard to draw a clear line of demarcation between academic issues and political issues in discussions on humanism, human nature, and alienation.

Then, Hu Qiaomu clarified this issue in his article "On Humanism and the Issue of Alienation." He said: "The trend of thought which advocated humanism and alienation of socialism is not an ordinary academic theoretical issue." Instead, "it is an academic theoretical issue of major immediate political significance." Even so, Hu Qiaomu still clearly said that this issue could and should be discussed. He said: "Discussion can make the truth more evident. Only through objective and intensive studies and discussions can we draw a correct conclusion on such complicated theoretical issues."

These remarks are undoubtedly correct, and they also comply with the constitutional articles about freedom of speech and scientific research and comply with the party's double-hundred policy. The only problem is whether these words are really put into practice. If we do not consider the political treatment given to me, the fact that my article last year "In Defense of Humanism" could be published last year showed that I was still rather lucky, although the reprinting of the article encountered difficulties. Now, I am not recognized as a communist, but I still consider myself a Marxist. I would like to take this opportunity to continue to discuss the issue of alienation with Comrade Hu Qiaomu. This issue is more complicated than the issue of humanism. I cannot finish discussing it in one article. Here I will first discuss the issues of personality cult and ideological alienation.

Personality Cult and Religious Belief [subhead]

Hu Qiaomu said: "Marx, Engels, and Lenin all opposed and denounced personality cults, but they did not regard such cults as alienation or a precursor of alienation. This is related to the issue of how to correctly evaluate the personal role of leaders, and only historical materialism can give a correct answer."

He in fact changed the proposition. What is at issue is not how to correctly evaluate the personal role of leaders and to point out the erroneousness of personality cults; instead, what we must explain is why such an erroneous thought could appear and what influence it produced on the people. To answer the second question, we need to use the concept of alienation, and I do not think that the concept of alienation can be excluded from historical materialism.

It is true that Marx, Engels, and Lenin did not link personality cults with alienation, but they did not see the serious personality cult occurring successively in the

Soviet Union and China. So they merely "denounced" personality cults and did not deeply analyze the reasons for such a phenomenon. Deeply analyzing personality cults is a new task that we are facing. Is it correct to forbid people to say anything that Marx, Engels, and Lenin did not say?

"Our party resolutely denounced the 'Cultural Revolution' and personality cult. At the same time, we should also notice that the people's attitude toward Comrade Mao Zedong during the 'Cultural Revolution' involved many complicated factors and experienced many changes. So it must not be treated as something similar to religious belief."

The meaning of this passage is not clear enough. If the author did not agree to compare the personality cult during the "Cultural Revolution" to religious belief, he should have pointed out the essential differences between the two things, but he did not do this. He merely said vaguely that things were "complicated" and experienced "many changes." What does this mean? Does it mean that personality cult in some conditions was tinged with a religious color, and in other conditions it was not so? Or does it mean that personality cult in a certain period was similar to religious belief, and in another period it was not so? No, the author may not really mean this. He did not discuss this further, but simply draw the conclusion from the complicated facts: "It must not be treated as something similar to religious belief."

In his speech "Rectifying the Party's Style," Mao Zedong criticized the dogmatists for treating Marxism as "mysterious things and treating some specific remarks of the books as a panacea for curing all diseases. He pointed out that people who held such an attitude "merely treated Marxism-Leninism as religious dogmas." Here, Mao Zedong treated dogmatism as "something similar to religious belief." For many years, we did not hear any people (including Hu Qiaomu) air different opinions on this point. Then, why does he now forbid people to link personality cult with religious belief? Didn't dogmatism include certain personality cult toward the classical Marxist writers? Isn't personality cult closer to religious belief than dogmatism?

In the report to the Eighth CPC National Congress, Deng Xiaoping mentioned personality cult and warned the whole party that "deifying a person will cause serious consequences" and emphasized that "our party abhors the deification of any person." For many years, when criticizing personality cult on international occasions or at home, we used to mention the "deification of a person." Doesn't the term "deification" link personality cult with religious belief? Did Hu Qiaomu try to say that there was no such things as "deification"?

I did not mean that there is no difference between personality cult and religious belief. It is certain that there are differences between the two things, but the differences are not so big that we cannot compare one to

the other. Before the "Cultural Revolution," the quotations of the leader were already treated as religious dogma and the leader was already deified; and during the "Cultural Revolution," this found extreme expression, and people were required to collectively carry out the ceremonies of "seeking instructions" from the leader every morning and evening. If such things cannot be compared to religious belief, then our criticism of personality cult in the past may be excessive and must be corrected.

Was the Criticism of Personality Cult at the Eighth CPC National Congress Correct? [subhead]

"Through the long process of revolution, our party and the Chinese people trusted and respected Comrade Mao Zedong, because of his correct leadership and outstanding contributions to the revolution. It was natural and normal that the people respected and admired him. Even though some people did not use accurate words to express their feelings, this still could not be regarded as personality cult. The successful development of the Chinese revolution from 1935 to 1956 provided the most convincing evidence for this."

That is to say, personality cult appeared after 1956, and before that, people just held normal belief and trust in Mao Zedong, and there was no personality cult. According to the author's logic, if there was personality cult before 1956, the revolution would not have developed successfully; and the successful development of the revolution between 1935 and 1956 proves that there was no personality cult in that period.

Does this tally with the facts? The song "The East Is Red" was spread from Yanan to the whole country, and this song described Mao as the sun and the "great savior" of the people. Was this merely "inaccurate" wording, which should not be regarded as personality cult? During the "Cultural Revolution" when personality cult found its extreme expression, this song almost replaced the national anthem. The Red Guards liked to call Mao the "brightest red sun," and they acquired inspiration from this song. Then, why could the revolution develop successfully between 1935 and 1956? This was because the party's line represented by Mao Zedong was correct, and the personality cult in that period did not develop to a serious degree. Mao Zedong himself did not get dizzy with the hails of "long live." In these circumstances, the harmfulness of the personality cult was not so apparent, and it might even seem useful in uniting the whole party and the whole nation.

Even so, after the Soviet Union criticized Stalin, the Eighth CPC National Congress also paid vigilant attention to personality cult. The general program of the party constitution adopted by the party congress opposed the erroneousness of deifying an individual leader, saying that "no political party and no individual can completely avoid mistakes and shortcomings in his activities." Deng Xiaoping explicitly pointed out in his report about

revising the party constitution: "Personality cult is a social phenomenon that can be attributed to long-standing historical factors, and such phenomenon will also certainly find expression in our party's activities and in our social life."

This was a statement in 1956, but Hu Qiaomu has now said that a Mao Zedong personality cult did not exist before 1956. If that were the case, then the eighth party congress would not have made pertinent criticism of personality cult.

Hu Qiaomu's conclusion not only violated the spirit of the eighth party congress, but also violated the resolution of the 6th Plenary Session of the 11th CPC Central Committee (the "Resolution on a Number of Historical Questions of the Party Since the Founding of the PRC"). This resolution highly valued the eighth party congress in 1956 and reaffirmed the correctness of "opposing personality cult" at the eighth party congress.

Whether it was correct or not to oppose personality cult at the eighth party congress is not an insignificant question. In 1957, the year after the eighth party congress, Mao Zedong did not mention the need to oppose personality cult in his important speech "On the Correct Handling of the Contradictions Among the People" and the speech at the national propaganda work conference. After that, this issue was gradually neglected. In the early 1960's, in some articles and documents debating with the Soviet Communist Party, the opposition of personality cult was even treated as a plot of the "revisionists." Afterward, it was said that "a certain degree of personality cult is necessary." The consequences of this viewpoint were known to all. The first step of this historical process was the deviation from the spirit of the eighth party congress. Hu Qiaomu should not forget this historical lesson.

Is This Explanation Tenable? [subhead]

Hu Qiaomu said: "Afterward, the normal trust and belief gradually became personality cult. This was because, on the one hand, Comrade Mao Zedong became less prudent when seeing successes, divorced himself from reality and the masses, and violated the party's system of democratic centralism by holding too much power in his own hands; on the other hand, the party did not acquire a mature knowledge about various issues (especially the issue of class struggle) in the period of socialism due to the long-standing correct position of Comrade Mao Zedong in the past."

He analyzed the reasons for personality cult from two aspects. According to Hu Qiaomu, personality cult appeared because Mao Zedong was not prudent and divorced himself from reality and the masses. This explanation was rather ridiculous. If it was normal that a leader was admired and respected for his "long-standing correct position in the past," then, when he became less prudent and divorced himself from reality and the

masses, or when he did not continue to assume the correct position, the people should have lowered their respect for him, and only thus could things be normal. But why did personality cult in fact appear when the leader was not so correct? As for the violation of the party's system of democratic centralism and the excessive concentration of powers in the hands of a single leader, this should be considered a result of personality cult rather than the cause of personality cult.

Hu Qiaomu also said that personality cult was related to the fact that the party did not acquire a mature knowledge about various issues in the period of socialism, and he particularly pointed out the issue of "class struggle." It is hard to understand such an explanation. Why could the incorrect idea about class struggle lead to a personality cult?

Hu Qiaomu did not explain this point. We can only venture a guess according to his logic. Before the above quotation, Hu Qiaomu mentioned the "Cultural Revolution": "Its occurrence was attributed to some complicated factors. First, Comrade Mao Zedong did not correctly assess the class struggle situation in our country and the inner-party political conditions, so he divorced himself from the party's leading collective and in fact relied on a group of sinister speculators. His erroneous assessment and erroneous leadership could prevail in the party and dominate the party, because at that time Comrade Mao Zedong held extremely great authority and the personality cult toward him had taken shape in the party...."

I basically agree with this analysis by Hu Qiaomu up to this point. Here, he did not attribute the personality cult to the party's incorrect idea about class struggle, but in turn attributed the party's incorrect idea about class struggle to the personality cult toward Mao Zedong. The incorrect idea of Mao Zedong and the whole party on the issue of class struggle was the reason for the occurrence of the "Cultural Revolution," but it was not the reason for the appearance of the personality cult. Before the whole party accepted Mao Zedong's erroneous assessment of class struggle, the personality cult toward Mao Zedong "had already taken shape."

Then, why did such a personality cult appear? This was a question Hu Qiaomu tried to answer in his article, but after a number of lines, he told us that the appearance of the personality cult was "related to the party's immature idea about the issue of class struggle." That is, before the personality cult was formed the party had already been bogged down in the erroneous idea about class struggle!

Which came first, the chicken or the egg? And which was the cause and which was the result?

Let us make a rough analysis here. The party did not correctly approach the issue of class struggle in the period of socialism. Then, before this mistake occurred, did Mao Zedong influence the party, or did the party influence Mao? In my opinion, it was Mao who influenced the party.

In 1956, the eighth party congress adopted a resolution that concluded: "The contradiction between the proletariat and the bourgeoisie in our country has been basically settled." Meanwhile, the resolution called for concentrating all strength on developing the national economy and culture. This should be considered as the party's consensus of opinion at that time. However, it was Mao Zedong who repudiated this correct conclusion and changed the party's idea step by step. The whole process began in 1957. The fact that Mao Zedong could make such a major change was definitely related to the existence of the personality cult toward him. In 1957, the harm of the personality cult began to be exposed, but the personality cult did not come into being at that time. The personality cult appeared much earlier than Mao Zedong and the whole party committed the mistake on the matter of class struggle. It is not right to treat the result as a cause.

Article Views 'Key to Political Reforms'
*HK1105072188 Shanghai SHIJIE JINGJI DAobao
in Chinese 18 Apr 88*

[Article by Gong Xiangrui (7895 4382 3843), Professor of Beijing University: "The Key to Political Reforms Lies in the Introduction of Democratic Politics"]

[Text] On the Reform of the Political Structure [subhead]

As I see it, the crucial issue or priority of our country's reform of the political structure is building democracy, delegating powers to lower levels, streamlining the administrative structure, reforming the cadre system, improving work efficiency, and making a clear separation of powers. Few of these aspects have anything to do with democratic politics.

Mao Zedong said: By democracy, we mean letting people speak out and treating people as equals. In this way democracy is regarded as a style of work. No doubt this is a very good style of work, but this argument reflects a mentality of standing high above the people.

Deng Xiaoping contends that democracy is a system. I agree with this explanation. In my opinion, this explanation is made only from the viewpoint of state and organization. I still want to explain democracy from the viewpoint of citizens or individuals. In other words, democracy is a form of political rights and reflects the relationship between the people (citizens) and the state.

The argument interpreting democracy indiscriminately as "the people being the masters of the country" is a far-fetched polite formula. In terms of existing countries, the elite runs the country. To be honest, 99.9 percent of the common people are unable to manage such a big "house" and to become such big "masters."

Objective of the Political Structural Reform [subhead]

Deng Xiaoping said: We will "politically create a higher level of democracy with more substance than that of the capitalist countries." The high level democracy discussed here is comparable and real and therefore, the objective of our political restructuring. Democracy involves the issue of both level and scope. Deng Xiaoping said that it was necessary "to ensure institutionally the practice of democracy in political life, in economic management, and in all other aspects of social activity." Once democracy is expanded to all aspects of social activity, it will naturally be of a higher level. The more it expands, the higher its level.

Theoretically, as a political system and right, democracy can be divided into three levels: The bottom is "representation" — the government is elected by the electorate and through the representatives they elect, the people govern the country; the higher level is "participation" — through initiative, referendum, and recall, the people directly participate in managing the state. The above two levels of democracy show the direct or indirect management of social and state affairs through the state apparatus. Democracy at the top level is "self-rule" not through the state apparatus. To put it another way, the people govern themselves in social, political, production, and other aspects of endeavor. This is somewhat similar to Yugoslavia's "self-government."

The Starting Point of the Political Structural Reform [subhead]

The starting point of our country's reform of the political structure is people's democracy. Compared with bourgeois democracy, people's democracy in our country has three characteristics.

First, distribution of interests is done in the order of the state, the collectives, and the individuals. However, people in the West pursue a contrary formula: The individuals go first, the collectives second, and the state last. According to their theory, the so-called "individuals" here refer to all individual people and the so-called "state" (government) is run by specific individuals or collectives in the name of the state and therefore, they are the people's public servants (tools) rather than their masters. Western political scientists maintain: The principles governing the distribution of interests are the results of actions that can be observed, tested, and verified rather than a priori, noble ethics, because they can be investigated, voted, counted, and measured. The moral value of the state is not absolutely necessarily higher than that of individuals. Louis XIV made a famous remark: "I am the State." Nixon once represented the United States. During the "Great Cultural Revolution" in China, the interests of the "gang of four" were considered state interests. Such being the case, how should we affirm that the "state" necessarily stands higher than individuals in ethical terms? In my opinion, there is truth to this argument of Western scholars. Morals are of a class nature and moreover, people have their own moral concepts. Unifying the moral concepts

of the masses with those of one individual means autocracy and resulted in a thousand years of suppression of the Chinese nation's individual character. Now that the political independence of our country has been established, we must not continue to stress that "the state comes first." It must be said that the political practice in our country has brought this change. The current rural policies stress the peasants' personal interests. The development of private household businesses in cities and towns is also the result of the implementation of policies designed to protect their personal interests. This is just an initial change but it has given a big push to the development of society's productive forces. Our constitution embodies this change too. The chapter expounding citizens' rights and duties is placed before that of the structure of the state. Therefore, as I see it, our country's formula for distributing interests must follow this order: the people or citizens (decided by how they are interpreted), the collectives, and the state.

Second, in our country, the people gain socioeconomic rights before they gradually earn political rights. However, Western countries take a different course in this regard. They gain political rights before earning socioeconomic rights. The establishment of Western democracy is based on the concept of "citizens." The people start with the right of political freedom and gain some socioeconomic rights through political struggle. In our country, citizens just enjoy the right of freedom which is still extremely incomplete and fragmentary. As I see it, the right of political freedom is more important than socioeconomic rights.

Third, democracy in our country develops this way: First, democracy is realized under direction from top to bottom and then followed by a broad participation in political and government affairs from bottom to top, such as grassroots democracy, democratic consultation, and delegation of powers to lower levels. The West has a contrary course in establishing democracy—democracy is achieved from bottom to top.

General Pattern of China's Political Structural Reform [subhead]

The general pattern of China's political restructuring is a transformation of the traditional political pattern into a modern political one. The traditional pattern is distinctively unified, closed, and centralized in character while the modern pattern is diversified, open or "transparent" and decentralized.

Dynamic Force for Developing China's politics [subhead]

In our country three social forces are on the rise. One is the intermediate stratum (comfortable families) who have become better off before others and they will become a stabilizing political force. The other is the successful entrepreneurs and reformers. They will

become the new force in the political arena. The third force is independent intellectuals (educated elite, brain trusts, consultancy committees, and think tanks).

Reform Viewed as 'Main Form' of Social Progress HK1105062188 Beijing GUANGMING RIBAO in Chinese 17 Apr 88 p 3

[Article by Wu Gunguang (0702 0948 0342): "Reform Is a Form of Social Progress in the Initial Stage of Socialism"]

[Text] Socialism is advancing in the course of reform. In the initial stage of socialism, especially in the current period, the tasks of social transformation are particularly pressing for us because we have only just emerged from a semi-feudal and semi-colonial society and all kinds of remnants of the old society, especially its long-standing rigid structures, are still obstructing our advance and seriously hindering the development of productive forces. The form of this social transformation can only be reform. Reform means eliminating various social defects and promoting social progress under the existing social system and social formation, under leadership, and in a gradual and orderly way. In the initial stage of socialism, reform is the main form of social progress. It is different from violent class struggles and large-scale mass movement and from revolution aimed at changing political power, which appears more acute and fierce. It is also different from ordinary social development, which does not concern the elimination of disadvantages and development of advantages of our systems, does not concern the great changes in the power organizations, and is comparatively smooth and steady.

Marx held that the basic contradictions in the development of human society are contradictions between the productive forces and production relations and those between the economic basis and the superstructure. The struggle between these basic contradictions and their movement form a fundamental motive force for the progress of human society. Of them, the productive forces are the most active and most revolutionary factors. When the productive forces have developed to a certain level, the production relations and the superstructure, which were once suited to the productive forces, may become obstacles to new development of productive forces. Thus some corresponding changes will inevitably take place in the production relations and the superstructure. Once the old production relations restrict the development of productive forces, revolution will occur. In the long history of human society, we can say that the main form of major social progress is revolution, which takes class struggle as its main content. It was under a hail of bullets of armed struggle and violent revolution that China's socialism came into being.

However, socialism cannot be nurtured under a hail of bullets. Once the socialist system was established, it opened vast vista for the development of productive

forces. Since the completion of the socialist transformation of the private ownership of the means of production, the bourgeoisie has been eliminated as a class and class struggle is no longer the main contradiction of our society. Thus in our country, the so-called socialist revolution is actually a revolution in a broad sense rather than an act of violence by which one class overthrows another. However, the socialist production relations are still imperfect. They need to be further developed in order to suit the progress of productive forces. Due to some special historical reasons and existing factors, we have to make a great readjustment and change in the spheres of production relations and superstructure so that they can be suited to the development of productive forces. This change is realized, and can only be realized, through reform. If we say that in a society of class antagonism, class struggle is the motive force for social progress, then in a country where the proletariat has already seized political power and won victory and where the socialist system has been established, social reform is the proper motive force and basic form for carrying out overall construction, promoting the development of productive forces, perfecting socialism, and promoting social progress. In the past 30 years, we always held that class struggle was the only form of social progress and the only way to transform and perfect production relations and the superstructure and made continuous efforts to strengthen the structure of class struggle. This was the main reason for our mistakes in that period, which brought about serious defects in our systems.

A viewpoint corresponding to the idea regarding violent class struggle as the only form of social progress in the socialist period is the idea that regards socialism as being entirely perfect and the social development as a smooth transition. As a matter of fact, judging from the long river of human history, socialism is a new thing that has only just emerged. In China, since socialism has emerged from the womb of semifeudal and semicolonial society on a low level of productive forces, it cannot but be stamped with certain old historical vestiges, which are affecting and obstructing the progress of socialism in its infancy. On the other hand, since the socialist system has just been established and has to advance through exploration and blazing new trails, it will inevitably encounter many setbacks and make some mistakes. The vestiges of the old society and the mistakes in the course of exploration are stubbornly expressed in the superstructure and ideology of the initial stage of socialism, hindering the development of productive forces and the full display of the superiority of the socialist system. If we do not carry out large-scale reforms, socialism will be unable to develop and make progress.

In the final analysis, the development of socialism is the development of productive forces, and every step forward in the development of productive forces will make new demands and exert new influence on the production relations and the superstructure. Therefore, under socialism, social progress is also expressed by the movement of

the contradictions between the productive forces and production relations and between the economic basis and the superstructure. Thus to develop the productive forces, we cannot but also carry out reforms in the spheres of production relations and the superstructure. Reform is the only way for the development of productive forces in the initial stage of socialism.

In the initial stage of socialism, the most unfavorable factor for the development of productive forces is that of structure. The socialist economic and political structures are the concrete expressive forms of the socialist production relations and the socialist superstructure. To strengthen structural construction and reform is a necessary channel for perfecting the socialist production relations and superstructure. In the initial stage of socialism, it plays a role as important as revolution as far as the degree and profundity of the transformation of social relations are concerned. In this sense, we say that reform is also a revolution. The reform we are carrying out at present is China's "second revolution" (a remark of Deng Xiaoping).

To sum up, the basic contradiction of the initial stage of socialism is no longer class antagonism and class struggle, but the contradiction between the people's increasing material and cultural needs and the backward productive forces. The main way to solve the principal contradiction of the initial stage of socialism is reform. Without reform, socialism will lose its attractiveness and ability to convince or even fail. Therefore, it is appropriate to say that reform is the lifeblood of socialism in the initial stage.

It is in this sense that we say adherence to reform is the same as adherence to socialism. Being a form of social progress, reform, which does not take overthrowing a certain class as its content, does not bear the nature of opposing socialism, and is incapable of overthrowing socialism, is a way for the self-perfection and development of socialism. It will bring the superiority of socialism into full play. Only thus can socialism become more powerful. In the initial stage when socialism is still immature and imperfect, only by carrying out reform can socialism become more attractive and can its superiority be fully displayed. Since the 3d Plenary Session of the 11th CPC Central Committee, we have greatly promoted socialist construction by adhering to reform and have taken the road of reform by adhering to scientific socialism. In the contemporary world, there is no socialism without reforms, and under socialism, there are no antisocialist reforms. In contemporary China, an expression of the superiority of socialism is that the changes in the production relations and the superstructure can be promoted by man's subjective and initiative reforms so that they can be suited to the productive forces. Thus socialism is able to acquire vigor and vitality for its self-improvement and self-development and to develop from the initial stage to a higher stage.

Better Understanding of Theoretical Work Urged
HK1105075588 Beijing RENMIN RIBAO
in Chinese 6 May 88 p 5

[Article by Li Shu (2621 3412): "Straighten Out Our Ideas in Theoretical Work Conscientiously"]

[Text] The discussions on the question of truth have broken the long-standing ossified conditions in people's theoretical ideas and enabled people to extricate themselves from the fetters of personality cult and to enter the stage of ideological emancipation. At that time, RENMIN RIBAO, GUANGMING RIBAO, and JIEFANGJUN BAO played a very good role in the discussions. People hope that newspapers will go on playing this role and at least adhere to the party policy of letting a hundred schools of thought contend on academic issues. There are so many things to be done in theoretical work. One of the urgent tasks is to straighten out some ideological concepts which are apparently right but actually wrong. It is imperative to straighten them out conscientiously in order to lay a realistic foundation for theoretical building in the new period. We should no longer leave mistakes uncorrected and make the best of it. If we know clearly that something is wrong but make believe that it is not wrong, we will only give people an impression of being always correct. What is the practical significance of this?

We did not understand Marxism at first. "The salvos of the October Revolution brought us Marxism-Leninism." This is Mao Zedong's famous saying. We can believe this sentence was written in keeping with his impressions that year and was therefore very truthful. Before the October Revolution, the Chinese knew little about Marxism, still less Leninism. Even those who knew Marx's theory can not be regarded as having a good understanding of it. They only knew that there was such a theory. The Marxism which the salvos of the October Revolution brought us is not the theory Marx wrote in books but something which can be called a Leninist fact, a victory originating from the widespread and practical activities of Marxism in Russia which shocked China and the rest of the world enormously. This Marxism-Leninism was brought to us by the salvos of the October Revolution rather than obtained through studies. Moreover, the Chinese accepted this theory so quickly that they got into action immediately and engaged in revolutionary practice before they had time to understand it conscientiously. Since we were not well-prepared theoretically, we could not but study it in the course of fighting. It is very beneficial to study while fighting, namely, we could integrate closely theory with practice. The defect is that we did not lay a good foundation in Marxism.

Marx and Engels were Germans. Lenin was a Russian. Few Chinese can read their works in the original. For this reason, it is necessary to translate them. Anyhow, it cannot be regarded as a reliable method to study Marxism through the translated version. First of all, there is the question of whether the translation itself is reliable or

not. It is even more questionable if we set forth our views according to the translated version. Lenin's short article, entitled "Party's Organization and Party's Literature," has long been regarded as a basis for, and repeatedly quoted in, literary criticism. In 1982, a new translated version of this article was suddenly published by HONGQI, in which the term "literature" was either changed into "publication" or "writing" and in some places was still rendered as "literature." Its title was also changed into "Party's Organization and Party's Publication." However, isn't it quite questionable if we base our literary criticism on this? As another example, the terms bourgeois rights, patriotism, and so on have been abused although their translations have not been fixed.

However, we should not only study Marxism through the translated version but also absorb it in the Chinese way, turning the ideas of Marx, Engels, and Lenin into ones understandable to the Chinese. For example, we once held that the Marxist truth could be summarized as "it is right to rebel." In truth, the Marxist truth should not be summed up in this way. In the "Manifesto of the Communist Party," Marx and Engels asserted: "The theory of the Communists may be summed up in the single sentence: Abolition of private property." In history, "rebellion" could transform private owners, shifting property from the hands of the rich to those of the poor and turning the poor into the rich. But this did not change the private ownership, still less eliminate it. We can thus see that to sum up Marxism as "it is reasonable to rebel" has somewhat deviated from the original meaning. The usual meaning of "rebellion" only manifests a conscious sentiment of antagonism. It can be easily utilized by careerists. Particularly when the words "it is right" are added, it will be easier to deceive some straightforward persons.

Moreover, can we regard the struggle of the opposites as "one dividing into two" and the unity of opposites as "two combining into one"? This question has been debated for many years. In my opinion, neither conforms to the original meaning. Opposites are two opposing aspects but they do not mean two. Two can be two opposing things in contradiction with each other; they can also be two identical things which do not contact each other.

In addition to the questions of translation and understanding, there is also the question of straightening out the ideological influence of Soviet theory. From the 1930's to the 1950's the Soviet theoretical circles were held in esteem by their Chinese counterparts. Especially in the 1950's, the philosophical and economics textbooks compiled by Soviet academics greatly affected our academic thinking in terms of contents and system. It now seems that the theories and concepts of Marx and Engels, after being compiled into textbooks, have become systematic and stylized on the one hand and ossified on the other. In some cases they have even been different from what were intended, thus turning materialism into idealism. But we still persist in saying that it is Marxism.

All the facts mentioned above show that it is necessary to conscientiously straighten out our theoretical viewpoints. This is a continuation of the discussions on the criterion of truth. It is also a basic task in building the theory on the initial stage of socialism.

Zhao Ziyang Discusses New Military Strategy
HK1105024088 Hong Kong WEN WEI PO
in Chinese 11 May 88 p 1

[Dispatch by reporter Liu Jui-shao (0491 6904 4801):
"At Recent Top-Level PLA Meeting, Zhao Ziyang Urges
Vigilance Against Partial War"]

[Text] According to reliable sources, at a recent top-level military meeting, Zhao Ziyang, first vice chairman of the CPC Central Military Commission, talked about establishing and adjusting the military strategy for the new period, and emphasized the preparations for possible partial wars [ju bu zhan zheng 1444 6752 2069 3630] and military conflicts.

According to informed sources, in view of the current development of China's diplomatic relations and the international situation, large-scale war is not likely to occur. In these circumstances, China has reduced its Army by 1 million troops, has shifted some military personnel to civilian posts, and has used some military industrial facilities for civilian production purposes. This will not affect the strength of the Chinese Army and will not affect China's security. However, although we do not expect the immediate outbreak of large-scale war, we must still maintain vigilance against the occurrence of possible partial war. Zhao Ziyang put forth this idea in view of some recent changes in the situation.

According to informed sources, China now possesses modern military strength. Henceforth, China will continue to improve its military deployment, the army's equipment and organization, the army's education and training, the border defense structure, the construction of the rear service bases, defense education, the organization of reserve forces, the mobilization system, the construction of transport and communications facilities, and the defense science, technology, and industry.

As for formulating military strategy, the decisionmaking structure will be further perfected, and the functions of the decisionmaking organs will be adjusted and coordinated. This will affect the functions of the Ministry of National Defense, which is a department of the State Council. In the past, the Defense Ministry did not really perform any substantial function and did not have many functional departments. After Qin Jiwei took charge of the Ministry of Defense, it was planned to set up a number of functional departments in the Ministry of Defense and to increase the personnel. Zhao Ziyang has asked the department concerned to make feasibility study of the functions that are performed by the Ministry of Defense.

Zhao Ziyang also pointed out that it is necessary to build and strengthen some "crack forces." At present, a number of group armies are being built into "crack forces."

Zhao Ziyang pointed out: China should make a realistic assessment of the prospects of long-term defense and military development and the ability to cope with any war in the future. It is learned that the quarters concerned are now revising and perfecting the "National Defense Construction Program Before the Year 2000," which will set a medium-term target for the army's reform and for national defense construction. At the same time, the authorities concerned have begun to draw up a military plan for early next century.

Nationwide Radar Network Attains High Levels
HK1105114288 Beijing CHINA DAILY in English
11 May 88 p 1

[By staff reporter Liu Dizong]

[Text] China's Air Force has set up a nationwide network of domestically-made radar which is believed to be close to world advanced level in major areas of technology.

Meanwhile, China is seeking new world markets to expand its radar exports. It already has customers in about a dozen countries in Asia, Africa and Latin America.

This was disclosed yesterday by a senior officer of the Radar Department of the Air Force in an exclusive interview with CHINA DAILY.

After nearly 40 years of hard work, he said, China has established a strong radar system armed with various types of equipment. The nationwide radar network has resulted in a well-organized warning system which can basically cover the whole territorial air space of the country.

"The radar has played a key role in such major tasks as aerial reconnaissance, air operation, air defence and air traffic control for both military and civil flights," he said.

Over the last 30-odd years, he said, the radar system has helped shoot down or damage more than 500 enemy planes. This includes a Soviet-built Vietnamese MiG-21 fighter which was shot down in the southern Guangxi Zhuang Autonomous Region last October 5.

The People's Liberation Army (PLA) set up its first radar station in Shanghai in 1949, but it was not until 1953 that the country produced its first radar to equip the Army.

Japanese-made and U.S.-made radar captured from the Kuomintang and radar from the Soviet Union were the major equipment sources for the young radar force. The force was officially set up in 1957 following the merger of the Air Defence Force with the Air Force.

Beginning in the early 1980s, the senior official said, all ground radar equipment was replaced by domestically-made products.

The officer said China's radar production was approaching advanced world levels in some major technological areas in signal processing, terminal devices, moving target detection and anti-jamming capability.

Chinese-made radar is of various types and different systems with comprehensive functions for attitude determination, target searching and air traffic control under complicated environmental circumstances, he said.

China is able to produce all kinds of equipment for radar information transmission, with which the nation has set up a unified network covering the whole country, he said. The quantity and speed have been remarkably improved in recent years to promote automation and target processing of the equipment.

China is closely following and adopting the advanced world technology in producing its radar.

Technological exchanges have been strengthened in recent years between China and some developed countries.

China will focus its efforts on the improvement of radar technology in electronic anti-counter-measures, anti-jamming and reliability, the officer said.

He predicted that major breakthroughs would be made in these fields by Chinese technicians in the next 10 years.

As for the radar used by artillery, warships and military planes, he said they were largely home-made and have also benefited from much progress in technology. While taking active measures to introduce more advanced technology, China is co-operating with some countries in jointly designing and refitting non-ground radar, he added.

China has found new customers for its radar exports. A number of countries are negotiating with China for radar imports and the prospects for the trade are bright, according to reliable sources.

Article Comments on 'Grim' Population Situation
HK1105103788 Hong Kong LIAOWANG OVERSEAS
EDITION No. 17, 25 Apr 88 pp 10-11

[Article by De Ming (6611 7686): "China's Population Situation Remains Grim"]

[Text] Another Birth Peak in 1988 [subhead]

Although mainland China has attained universally acknowledged achievements in family planning, it is still confronted with a critical situation in population. Following birth peaks for 2 successive years in 1986 and 1987, information from the State Family Planning Commission indicates that China's birth rate will reach a new peak in 1988. According to the statistics prepared by the State Family Planning Commission, China's birth rate is on the increase: The country's birth rate reached 20.77 per thousand in 1986, manifestly higher than the 17.8 per thousand in 1985; the natural growth reached 14.08 per thousand, also higher than the 11.23 per thousand in 1985. The birth rate and natural growth rate in 1987 which reached 21.04 per thousand and 14.34 per thousand respectively, were higher again than the 1986 figure.

Meanwhile, according to State Family Planning Commission calculations, as the number of women of child-bearing age increased from 269 million in 1984, 277 million in 1985, 285 million in 1986, and 292 million in 1987 to 299 million in 1988, if we judge from the number of children born in 1986 and 1987, we cannot avoid the birth peak in 1988. Moreover, thanks to the implementation of the new "Marriage Law" since 1981, the peak child-bearing age group shifted from 25-29 to 20-24. The number of women of this age group totaled 59.84 million in 1988. Even if only half of them get married and have babies, the number will be very big. According to State Statistical Bureau figures, the number of women married annually since 1986 totaled around 12 million. Hence, there will be 12 million women joining the ranks of mothers every year.

These are just official calculations and statistics. This does not include the number of early marriages and births in violation of the "Marriage Law." According to the estimates of some experts, the number of early marriages and births in mainland China total around 8 million. If this figure and births to women of other child-bearing age groups are added, the number of babies born annually over the past 2 years totals over 20 million.

Worries of Various Circles in the Mainland [subhead]

The successive birth peaks over the past 3 years constitute the third birth peak in mainland China. The first one took place in the 1950s and the second one in the 1960s. The third birth peak is the consequence of the former two peaks, particularly the second one: The babies born during those years have now reached the

marriage and child-bearing age. Confronted with the new birth peak, a number of experts in the mainland and the members and delegates attending the NPC and CPPCC have expressed their anxieties over the issue. They are worried that once the population growth is out of control, the blind birth rate of the 1950s and 1960s may recur and then the four modernizations will come to naught.

There are indeed grounds for such worries. When the world's population topped 5 billion on 11 July 1987, mainland China's population exceeded 1 billion, accounting for around 21.35 percent of the world's total. At the first census carried out in 1953, China's total population was 601 million, the figure rose to 723 million at the second census conducted 11 years later in 1964, and the figure further increased to 1.003 billion at the third census conducted 18 years later, until the population topped 1.08 in 1987. During this period, mainland China's population increased by around 500 million.

The rapid growth of population has undoubtedly had a great impact on the mainland's economy which has just taken off. Let us look at the following figures:

The net increase in the mainland's population is 14 million. If a person consumes an average of 400 kg of grain, we will have to increase our grain output by 5.6 billion kg annually. If the population increases every year, it will inevitably aggravate the burden on agriculture;

There are more than 20 million babies born every year. These babies will grow up and need 9 years primary and secondary compulsory education. Moreover, some of them will study in universities. If we spend an average of 100 to 180 yuan for each student, the state will have to progressively increase the education funds by 3 to 3.8 billion yuan annually, which is still a very low level;

In the next decade or so, some 15 million young people will be ready for employment every year. Hence, we must offer jobs to them;

Mainland China's GNP ranks seventh in the world. However, its per capita income is only \$400, so the level is still low compared with other countries...

Unless strict measures are adopted to keep the mainland's population under control, some people predict, the efforts made in economic development will be offset and the grave consequences arising therefrom — such as the problems of food, employment, education, medical care, and housing — will inevitably affect China's reform and opening up. The Grim Situation in Population [subhead]

By saying that the situation in population is critical on the mainland, we do not mean that something has gone wrong with the mainland's family planning over the years.

Viewed from a macroscopic angle, the mainland's population policy has been successful. The following figures prove this point:

The yearly average increase in the mainland's population was 22.58 per thousand from 1950 to 1958 and 22.97 per thousand from 1962 to 1975. In the 1980s the natural growth rate dropped by a big margin. Although the figure slightly increased in recent years, it has been kept within 11 to 14 per thousand. As pointed out by Premier Li Peng, China avoided at least 200 million births from 1970 to 1985. Even if we judge from the natural growth rate of 14 per thousand, it is still below the average in developing countries as well as that of the world. Because of the large basic number of the mainland's population and of its backward productive forces, the birth peak over the past 3 years, which will continue for years to come, has indeed become a major problem for the Chinese Government and the people. For this reason, General Secretary of the CPC Central Committee Zhao Ziyang pointed out at the National Family Planning Work Conference: We should be firm and resolute in the basic policy of strictly checking the population growth, practicing family planning, and keeping the population within 1.2 billion by the end of the century. China's top government leaders have also reiterated on many occasions that family planning which includes late marriage, late births, and less and better births is one of China's basic national policies. On the basis of conducting thoroughgoing investigations and studies, the State Family Planning Commission will call experts and scholars to adopt measures to further perfect the current population policy.

To effectively check the population growth, the CPC Central Committee repeatedly emphasized after calling on the people to practice family planning in the form of an open letter: Except for special cases approved by relevant departments, each couple among state cadres, staff members and workers, and urban inhabitants should have only one child. We also advocate one child for each couple in rural areas, allowing those with practical difficulties to have a second child. The minority nationalities residing in areas with a population under 10 million may also give birth to a second child.

According to an official of the State Family Planning Commission, in a new regulation to be introduced very soon, family planning work will be regarded as the standard to assess the achievements of cadres. To strengthen family planning work in the mainland, the government has approved expansion of the staff of the State Family Planning Commission and the provincial, prefectural, city (county), and township family planning organizations under its jurisdiction.

Considering that the focus of family planning is in the rural areas, the Chinese government has planned to formulate a family planning policy which is based on the long-term interests of the state and is also acceptable to the peasants.

Tian Jiyun on Inflation Control Measures
HK1105101788 Beijing ZHONGGUO XINWEN SHE
in Chinese 0819 GMT 11 May 88

[Report by reporter Xie Yining (6200 0001 1337): "Tian Jiyun Says Measures Have Been Adopted by the Chinese Government To Control Inflation"]

[Text] Washington 10 May (ZHONGGUO XINWEN SHE)— Vice Premier Tian Jiyun says that inflation does exist in China but it is not out of control. The Chinese Government is adopting four measures to bring inflation under control. Tian made the above statement while meeting representatives of Overseas Chinese, Americans of Chinese origin, and Taiwan compatriots today.

Addressing some 100 Americans of Chinese origin, Tian Jiyun said: In the years between 1985 and 1987, China's inflation rate was 8.8 percent, 6 percent and 7.3 percent respectively. In the first two years the masses did not grumble about it because price compensation and wage readjustment were implemented. But in 1987 no relative price compensation was made. As a consequence 20 percent of wage-earners found that their living standards had not improved or had deteriorated. From now on compensation for wage-earners will be considered when prices go up too fast.

The four measures to bring inflation under control are: First, to keep the scope of capital construction under control; second, to reduce group purchasing power; third, to control consumption-fund growth; and fourth, to bring under control the prices of major consumer goods that affect people's living standards.

Tian Jiyun forthrightly answered all sorts of questions. On corrupt officials he said: Corruption does exist among grass-roots cadres and some cases can be rather serious. However, the CPC Central Committee and the State Council are honest. He cited the following example: The monthly salary for China's premier is only 400 yuan. In addition, the government equips him with two servants and a car, and he pays a lower rent for his living quarters; that is all. All gifts presented to him should be handed over to the state. We have ways of punishing those corrupt officials, he added.

Regarding the situation in reform, Tian Jiyun said: The Chinese leaders are unanimous on the goal of reform and opening to the outside world, but they hold different views on certain links, and this is normal. The Chinese people have drawn lessons from the 10 years of turmoil. Opening to the outside world and reform have struck deep roots in people's hearts, and are irreversible. No

matter who is in power, should he want to turn China back into a cocooned state and close the country to international intercourse, the people would cast him aside.

Tian Jiyun also appealed to the Taiwan authorities to allow mainlanders to visit relatives in Taiwan, and to conduct direct trade. He said: We are all Chinese. Why can't we conduct direct trade instead of letting a third party reap profits from us?

RENMIN RIBAO Commentary on Price Problem
HK1105022588 Beijing RENMIN RIBAO in Chinese
9 May 88 p 2

["Short commentary": "Acting Boldly But Not Letting Things Drift"]

[Text] A well-known economist recommended a WEN-HUI BAO report to us, which has been reprinted by our paper today, holding that it may broaden the vision of many people.

The price problem is a sensitive problem much talked about in some big cities. But in Guangzhou, things are entirely different. The residents here seem to be not so "sensitive" about this sensitive problem. We cannot deny that there is something special in this respect. However, it also reflects something common. We would like to just discuss the following two points.

First, we should act boldly in relaxing market prices. Once market prices are relaxed, it is unavoidable that there will be an increase, or even a sharp increase, in some prices. When everybody is talking about the price rise, shall we hastily restrict the prices again or shall we go on boldly? Guangzhou has continued to relax the prices and has achieved great successes. The bearing capacity of the masses has also been strengthened. If they retreated and "recalled" the policy as soon as contradictions appeared, production would not have been promoted, and there would still be complaints.

Second, we should not let things drift when acting boldly in relaxing prices. Perhaps this is a more important matter at present. The mayor should be concerned with market management! Apart from necessary administrative measures, it is necessary to lay stress on the question of how to manage the market by means of economic measures. For example, how do we organize production in light of market demand and speed up the development of production in accordance with the law of value, how do we readjust the product mix through credit, and how do we regulate the unreasonable differences between people in respect of their income by means of tax revenue? At present, it is especially important for us to find a way to ensure that the increase in the workers' income will be higher than price increase. If this is the case, the masses will be more capable of bearing price increase during price reform.

Acting boldly but not letting things drift. This is what Guangzhou, which has achieved a greater advance than other cities in developing the commodity economy, tries to tell us.

Guangzhou Residents Bear Price Hikes

HK1105022788 Beijing RENMIN RIBAO in Chinese
9 May 88 p 2

[Report: "Why Are Guangzhou Residents Able To Bear Price Increases?"]

[Text] WENHUI BAO says that people have never been so sensitive about commodity prices before. In many cities, such as Beijing, Shanghai, and Xian, we can often hear complaints about price increases. However, in Guangzhou, where prices have been fluctuating constantly, the reporter finds that there are fewer complaints among the people and the people there do not often rush to purchase things. A more common response to the price increase is to understand and accept it. What are the reasons for this?

In the farm products markets at Dashatou, Qingping Street, and Nonglin Road of Guangzhou, almost all commodities are sold at negotiated market prices. For example, cabbage mustard is sold at 2 to 3 jiao a jin when there is an ample supply but is sold at 8 jiao to 1 yuan per jin when the supply is insufficient. At the beginning of this year, the method of rationing was adopted again by 22 large and medium cities in the supply of some major non-staple foods. But since Guangzhou did not do the same, the prices of those non-staple foods went up a little bit. Pork was sold at about 5 yuan a jin, and eggs sold at 3. However, when we asked some old ladies who "were carrying vegetable baskets" how they felt about that, they all replied that "rationing is no better than open-ended supply." "We are not afraid of price fluctuation provided there is an ample supply of goods," they said.

As a matter of fact, a most striking achievement Guangzhou has made in price reform over the past few years is that commodity supply has become abundant. There, people can get fresh vegetables as well as fish, meat, and eggs everywhere and have fruit in all the four seasons. We can also find all brands of cigarettes, bicycles, color TV sets, and refrigerators, which are sold at different prices. It seems that Guangzhou residents have already gotten used to this and are able to conscientiously control their feelings and actions.

Guangzhou residents have made less complaints about price fluctuation. This shows that they are more capable of bearing pressures than the residents in the interior cities. Comrades from the price bureau of Guangzhou said that at the beginning, Guangzhou residents also had many complaints about price fluctuation. But now their ability to bear pressures has been enhanced through practice. Guangzhou's price reform was started in 1979 when the control over the price of fish was relaxed. At first, there was a sharp increase in the price of fish, which

was about 400 percent higher than before. The price of grass carp rose from 2 yuan to 8 yuan a jin. The residents, who were used to the "price freeze" for dozens of years, were thus enraged by the price increases. They lodged continuous complaints with the city and provincial authorities and even sent letters of complaint to the State Council and the CPC Central Committee. What was to be done then? Should we continue to relax our price policy? After that, a "fish-breeding craze" appeared in various counties of the Zhujiang Delta. The peasants dug more and more ponds to breed fish, and large quantities of live fish kept coming into Guangzhou from Zhanjiang, Hainan Island, and other provinces. As a result, fish prices dropped and became stable.

Guangzhou residents have learned from practice that "relaxing policy—price rise—increasing production—price going down—price being stabilized" is the right course of development of price reform. Now, as production has been promoted and the market is brisk, people have more confidence in price reform. At the end of 1984 and beginning of 1985, Guangzhou further relaxed the prices of vegetables, domestic fowl, meat, and eggs. Although it shocked the market greatly, the residents seemed to be more peaceful than before. In 1987, the prices of vegetables, fruit, and fish once increased sharply month by month, but there were not many complaints among the residents.

I asked some young people in Guangzhou: "The prices are going up, what will you do then?" They replied: "We can try to earn more money, as there are more ways to earn money now." In Guangzhou, many people are holding part-time jobs or engaged in some "speculations" after work.

A more important reason that price reform enjoys popular support in Guangzhou is that the workers' income has also increased, and the rate of this increase is even higher than that of the price increase. Investigation shows that over the past few years, the workers' wages have been increasing at an average rate of 11.3 percent a year, but the average rate of price increase is 5.3 percent. The standard of living of the great majority of people is increasing year by year.

There have also been some "throes" and problems in the course of Guangzhou's price reform. For example, as management has not been improved, the phenomena of driving up prices, indiscriminately raising prices, and unreasonable charges have appeared now and then. Nevertheless, with the deepening of price reform and the development of production, commodity supply will surely be increased and the terms of "throes" will become shorter.

Article Urges Linking Wages to Living Costs
HK1105010088 Shanghai SHIJIE JINGJI DAobao
in Chinese 18 Apr 88 p 6

[Article by Zhu Zhongxin (6175 0112 2946) of the Sector Economics Institute of the Shanghai Academy of Social Sciences: "Wages Should Be Linked to the Monthly Living Cost Index"]

[Text] To ensure that employees' wages are not affected by price rises and to stabilize the most important factors in the productive forces—laborers' sentiments toward reforms, production, and work—it is completely necessary to link their wages to the monthly cost of living index. I would like to talk about the following points concerning this problem.

1. People have three types of opinions in their discussion of the relationship between wages and the cost of living index: Some say there is no need to link wages to the cost of living index; others hold these two should be linked together, but covertly instead of overtly; still others maintain otherwise, that is, these two should be linked overtly. There are not many people who hold the first two opinions.

Although the authorities have not recognized the third opinion, more and more people favor it because it is beneficial to reforms, to stabilizing the people's livelihood, and to preserving the initiative of laborers. As a matter of fact, this method is the only way to protect the people's interests from being violated in the course of deepening reforms. Therefore preparatory work for linking wages to the monthly cost of living index should be put on the government agenda as soon as possible.

2. We should have a good understanding of the following points in linking up basic wages to the monthly cost of living index:

1) After basic wages are linked to the monthly cost of living index, will prices and basic wages rise alternately? This was the main worry expressed during an academic discussion several years ago by those who did not agree with the idea of linking basic wages to the monthly cost of living index. As a matter of fact, this situation only appears in capitalist society, because capitalists can raise prices at will on the pretext that production costs have risen, and the government has no way of intervening. However, this can be absolutely prevented under the socialist system, because the government can exercise macro-regulation and management so as to control unlimited price rises. The socialist economy is a planned commodity economy, and the market operates under state regulation and control. This is different from the free market economy under the capitalist system. It is the duty of the socialist state to exercise macro-management over prices and wages. This is one of the strong points of the socialist system. Theoretically speaking, during the initial stage of socialism, and particularly in the present period of reform, basic wages should change according to the fluctuations of prices. The productive forces are the most fundamental and important factors. Linking basic wages to the monthly cost of living index should conform to the development of the productive forces. Price rises come before wage raises and not the other way round, the former being the cause and the latter being the effect. After basic wages are linked to the monthly cost of living index, the existing method of providing subsidies to cover living expenses resulting from price rises can be

abolished. The total amount of wages will remain unchanged. Apart from this, the government can effectively prevent enterprises from issuing bonuses at will on the pretext of price rises, and can also exercise strict financial supervision. Under such circumstances, enterprises have no alternative but to accumulate financial resources to cope with the impact produced on basic wages by price rises. In this way, enterprises can also restrict their habit of issuing bonuses at will. Linking basic wages to the monthly cost of living index should be carried out in coordination with the system of enterprises assuming sole responsibility for their losses and profits. Any increase in basic wages resulting from price rises should be deducted from the profits of enterprises. In this way, the production costs of enterprises will not be affected by wage fluctuations, nor will the prices of products. This is an important measure to prevent prices and basic wages from rising alternately after basic wages are linked to the monthly cost of living index. On the other hand, it is necessary to carry out ideological education among the staff and workers of enterprises so that they will consciously increase production, practice economy, and improve their understanding. Apart from controlling price rises, this will also reduce production costs, stabilize prices, and increase profits.

We should also be aware of this fact: In the course of linking basic wages to the monthly cost of living index, the increase in basic wages resulting from price rises will affect the profits of enterprises, the amount of taxes to be collected by the government, and the percentage of profits retained by enterprises. The staff and workers of enterprises will be compensated from the increase in their basic wages for the decrease in the funds for collective welfare and bonuses. Thus the government will find it easier to exercise macro-regulation and control over enterprises, and enterprises will be able to strengthen their self-control and share their common efforts in preventing price rises. It is absolutely possible to control price rises so long as the government and enterprises reach unanimity of understanding on this problem. By then the monthly cost of living index will become an indicator greatly promoting leadership work in government departments and enterprises; they will take into account both social benefit and their own interests when arranging work and production. Therefore the view objecting to linking basic wages to the monthly cost of living index does not tally with the interests of the people. This view will only encourage the growth of bureaucratism.

2) As to whether the whole or a portion of basic wages should be linked to the monthly cost of living index, this problem, in fact, involves the composition of basic wages. As everyone is aware, people's consumption can be divided into three parts, that is: the need for existence; the need for development; and the need for enjoyment. If wages are divided according to these three parts, each must be linked to the price index of one of these three respectively. In such cases, it is impossible to link a portion of basic wages to the monthly cost of living

index. Therefore, only when the whole basic wages are linked to the monthly cost of living index, can the actual standard of living of the staff and workers be guaranteed against a drop resulting from price rises.

3) Will it be difficult for the government to proceed with its work in case the people doubt the correctness of the monthly cost of living index it publishes? This is one of the reasons why the relevant leading departments have been hesitating to link the basic wages of staff and workers to the monthly cost of living index.

The correct compilation of the monthly cost of living index has an important bearing on the interests of wage earners and millions upon millions of households. Therefore the people are very much concerned about it. In the past, due to overconcentration of economic and political powers, the compilation of the monthly cost of living index lacked scientific reasoning, democratic supervision, and legal protection. Even the compilers themselves doubted the correctness of such an index, let alone the people. The way out is to introduce scientific methods, democratization, and legalization.

Scientific methods include carrying out scientific research, scientific proofing, and the test of practice by the people.

Democratization means openness in compiling the index, allowing supervision by the people, and forbidding officials from making arbitrary decisions.

Legalization refers to approval by the People's Congress for the index after its compilation so that it bears legal effects. Any violation will be dealt with according to law. The organization to compile the cost of living index should be subordinated to the NPC Standing Committee and does not belong to any other departments. Local cost of living index compilation organizations should be subordinated to the standing committees of local people's congresses but should work under the uniform supervision by the NPC and its Standing Committee.

Linking basic wages to the monthly cost of living index is a new task under the socialist system, and there is no ready-made experience to refer to. It is an important aspect of the work of building socialism with Chinese characteristics. In the course of deepening reforms, this task has become very urgent and important. I believe we can do well so long as we pool the wisdom and efforts of the people and unite as one.

More on Inflation, Income Compensation
HK1105095588 Beijing GUANGMING RIBAO
in Chinese 23 Apr 88 p 3

[Article by Lu Nan (6424 0589): "Price Rise and Income Compensation"]

[Text] In recent years, price levels in our country have continued to rise, and prices have risen by a bigger margin in large and medium-sized cities. During price

reform, price levels will unavoidably rise to a certain degree. However, such rises will inevitably affect the livelihood of the people. Therefore, it is crucially important to give appropriate compensation to the people and to properly handle the relations between wages and prices.

As we all know, the growth in workers' wages is affected by the following two factors: First, the increase in labor productivity. If productivity is raised to a higher level, wages will be able to increase faster. In general, the growth rate of real wages (with the price rise factor being deducted) is lower than the growth rate of productivity. Second, the degree of price rise. That is, after prices rise, nominal wages should also grow correspondingly.

In recent years, the incomes of workers in our country have increased substantially, but there are still some problems in compensating the workers for their losses caused by price rises. First, due to the unevenness in incomes, the actual living standards of some people have become lower. According to statistics, in 1987, the income of the average urban resident rose by 10.6 percent, but with the price rise factor being deducted, real income only rose by 1.7 percent. However, 21 percent of urban households found that their real income declined due to price rises. Second, for some workers, their income increase was realized because they were promoted to a high position or they gained more bonuses. Price subsidies were increased only once in many years. So many workers thought that the income increases due to promotion and the bonuses were all remuneration for their work, and should not be considered as compensation for price rises. In addition, the bonuses could not be considered as fixed income, and bonuses in different trades varied greatly. So bonuses could not be used as price rise compensation.

During price reform, we should guarantee that the actual living standards of the masses will not fall due to price rises, and that the livelihood of the masses will continue to improve on the basis of production development and productivity enhancement. In the period of reform we must adhere to this principle through adjusting the relationship between prices and wages. Therefore, when the masses suffer losses due to price rises, they should get appropriate compensation. Now, the question is to see a good method of compensating the masses to offset the negative influence of price rises on the livelihood of urban workers, while preventing such compensation from evoking another round of price rises.

In China and in other countries, the main methods of handling relations between wages and prices are as follows: First, wages are directly linked with prices, and wages are given according to the wage index. That is, in a certain period, money wages are adjusted correspondingly in light of the growth rate of prices. Second, when prices are changing greatly, a certain amount of price subsidy is given directly to workers (or residents). In 1985, the issuance of price subsidies conformed to the

second method. The first method may give rise to swelling of the consumption fund, because when basic wages and bonuses are paid as usual, the additional price subsidies will cause a situation in which real wages grow faster than labor productivity, making wages and prices rise in turn. The second method cannot solve the problem of the influence of the price changes on the people's livelihood. In particular, the prices of many commodities were decontrolled in recent years, and prices rose spontaneously. The accumulated rise margin was rather big, and such a substantial price rise has affect the people's livelihood. A feasible method is to give subsidies to the people for buying basic necessities with rising prices. At present, food consumption accounts for 50 to 60 percent of the daily consumption of urban residents in our country. So price subsidies should mainly be given to the masses for their consumption of food, especially basic foodstuffs. This will also reduce the resistance to the reform. However, this method only covers some commodities rather than all commodities, and cannot completely prevent the effects of general price rises on the livelihood of the masses. In addition, if no effective measure is taken to control the excessive issuance of bonuses in kind or in cash, the consumption fund may swell, and push prices upward. So, this method is still not perfect, but it is just a comparatively feasible method under the present conditions.

Economist Warns of Return to Soviet Model
HK1005132488 Hong Kong AFP in English
1320 GMT 10 May 88

[Text] Beijing, May 10 (AFP)—China is in danger of returning to a 30-year-old Soviet economic model to find solutions to problems created by its economic reforms, a leading economist said Tuesday.

"The gravest danger today is not inflation or problems linked to education but a return to the traditional Soviet system" of the 1950's to stabilise China's economy, Li Yining, an influential government adviser, told reporters at a press lunch.

The only way for China to become prosperous is to go further with its economic reforms, he added.

He cited the need for allowing a free market mechanism, the minimum of government intervention, encouraging private ownership and battling against egalitarianism.

The success of China's economic reforms is closely linked to the success or failure of price reforms launched in October 1984, Mr Li said.

China's economy is facing price rises estimated at more than 15 per cent a year by Western experts, which are causing hardship for its people.

It is also suffering a shortage of raw materials due to a too rapid increase in industrial production, observers say.

"When economic problems become mingled with social problems the situation becomes truly dangerous," Mr Li said.

"Now I hear people saying sometimes 'all these problems did not exist before the economic reforms'."

The government must make an effort to explain the reforms to the people and stress that "we must pay the price of the reforms" to ensure China's continued development, he added.

He said that removing fixed prices should be done gradually as inflation was both a political and social problem and should not be allowed to rise to fast.

Another five to eight years were needed to truly reform price-setting mechanisms, he added.

China had adopted the Soviet economic model after the communists came to power in 1949 and generally followed it until senior leader Deng Xiaoping launched economic reforms in 1979.

Article on 1st Quarter Economic Development
HK1005072188 Beijing RENMIN RIBAO
in Chinese 4 May 88 p 2

[Article by the Economic Forecast Section of the State Economic Information Center: "An Analysis of the Trends of the National Economic Development in the 1st Quarter of 1988"]

[Text] In the first quarter of the year, China's national economy has achieved a healthy and steady development under the guidance of the policy of "further stabilizing the economy, further deepening reform, and taking reform as the central link of the overall situation." The following is an analysis of the situation of economic development in the first quarter of the year by means of the method of dynamic economic analysis.

Industrial Production [subhead]

In the first quarter of the year, the development of industrial production was tending toward stability. Gross industrial output value increased by 2.36 percent over the previous quarter. The continuous and comparatively high growth rate that had appeared since the second quarter of last year began to decrease. If this trend is continued, it is expected that there will be an increase of about 15 percent in the gross industrial output value in the first half of this year compared with the same period of last year. Since the second half of last year, the contracted management responsibility system has been widely adopted by the state-owned enterprises in our country and some initial results have been achieved. Industrial production in the state-owned sector was accelerated in the first quarter of the year, growing at a rate of 1.81 percent, which was higher than the previous quarter. The policy of decreasing credit has

resulted in the slower development of the production in the collective enterprises in towns and cities and in township and town enterprises. The growth rate of the collectively owned industries was 4.26 percent, lower than those of the third and fourth quarters of last year.

Of the capital construction projects started from the beginning of the sixth 5-Year Plan and the technological transformation projects started recently, light industrial projects constitute a large proportion. Since the beginning of this year, these projects have been put into production one after another, adding new production abilities to light industry. At the same time, in order to make our market brisk and improve the people's livelihood, much attention was paid to promoting the production of consumer goods during the Spring Festival. Priority was given to the supply of raw materials, electricity, funds, and other things needed for promoting this production. For this reason, light industry was again growing at a higher rate than heavy industry in the first quarter. The growth rates of light and heavy industries were respectively 3.93 and 1.78 percent.

Finance and Credit [subhead]

There was a comparatively rapid increase in the amount of money in circulation in the first quarter. Compared with the fourth quarter of last year, it had increased by 11.15 percent, the highest since the seventh 5-Year Plan. The main reasons for this increase were: 1) The big range of "constriction" of money supply in the fourth quarter of last year resulted in the delayed supply of some money, which was not completed until only the beginning of this year; 2) the prices of agricultural and sideline products increased by a considerable margin in the first quarter of the year, resulting in the increase in money supply in rural areas, which was 6.6 billion yuan more than the same period of last year.

Loans provided by the bank increased by 7.29 percent in the first quarter compared with the fourth quarter of last year, higher than the growth rate of deposits, which was 6.38 percent, and making this period the second loan peak since the seventh 5-Year plan. The growth rates of industrial and commercial loans were especially high, which were respectively 9.4 and 6.3 percent.

Judging from the developments in the past two quarters, we can find that the amount of money in circulation at the end of the first quarter and the fixed-base index for seasonal adjustments of the total loans were both smaller and lower than the original predictions based on the development trend of the previous three quarters.

Domestic Market [subhead]

In the first quarter, there was a greater increase in the income of both urban and rural residents. Total wages and other expenses for individuals increased by 5.78 percent over the previous quarter. Of this, the expense for giving out bonuses rose 47 percent. However, due to

the price increase, especially the price increases of daily necessities, most people felt that their actual standard of living had not really increased or had even decreased.

In the first quarter, both buying and selling were brisk in our domestic commodity market. There was an ample supply of most commodities. Especially, during the Spring Festival, the supply of quite a few traditional and brand-name products was restored in many places. The nation's retail sales rose by 5.67 percent over the previous quarter, also higher than the third quarter of last year. It is expected that the retail sales of social commodities in the first half of this year will increase by about 22 percent over the same period last year. In the days around the Spring Festival, although various areas had strengthened supervision and control over market prices — since the people were unable to overcome their fears about price increases — the phenomenon of panic purchasing still appeared on certain occasions.

In the first quarter, there were more meat and eggs in stock than in the previous quarter, and the short supply of meat and eggs in cities and towns, which appeared at the end of last year, began to improve. The departments concerned had paid attention to and adopted measures to solve the problem of short supply of some vegetables.

Foreign Trade [subhead]

Total import in the first quarter dropped by 3.96 percent compared with the previous quarter, and the trend of gradually expanding the scope of import, which appeared since the second quarter of last year, was weakened to a certain extent. At the end of the first quarter, the nation's spot exchange on hand went up again, providing a good environment for reform of foreign trade and foreign exchange control structure this year.

Compared with the same period of last year, total export in the first quarter increased by 22.4 percent. However, if calculated in terms of comparable items, the fixed-base index of seasonal adjustments of total export volume in the first quarter was a bit lower than the previous quarter, and there was a drop in the total procurement for export as well.

According to preliminary analysis, there are two main reasons for the decrease in the export volume calculated in terms of comparable items. First, there was a rapid increase in export in the fourth quarter of last year, which was 12.58 percent higher than the previous quarter and a record high in recent years. As a result, both the sources of some export goods for the first quarter of this year and the foreign exchange thus earned were affected.

Second, since the course of replacing the old foreign trade structure by the new had still not finished, it was unavoidable that inharmonious had appeared in some fields, which affected the procurement for export trade.

Fixed-Base Index of Seasonal Adjustments of Major Quarterly Targets of China's National Economy [subhead]

Name of targets	1985		
	2	3	4
gross industrial output value	100.5	101.1	100.0
gross light industrial output value	101.8	103.0	100.0
gross heavy industrial output value	99.9	100.5	100.0
gross output value of state industry	100.6	101.4	100.0
gross output value of collective industry	101.7	102.0	100.0
amount of money in circulation	93.5	97.5	100.0
bank deposits	91.6	96.0	100.0
loans provided by banks	91.3	95.9	100.0
wage and other expenses for individuals	88.1	95.7	100.0
retail sales of social commodities	87.1	88.7	100.0
total import (customs)	90.9	96.7	100.0
total export (customs)	84.2	90.5	100.0

Name of targets	1986		
	1	2	3
gross industrial output value	101.8	105.8	109.5
gross light industrial output value	102.7	106.3	110.8
gross heavy industrial output value	102.0	106.0	109.7
gross output value of state industry	102.4	105.4	108.1
gross output value of collective industry	103.4	107.3	114.3
amount of money in circulation	101.4	109.7	115.2
bank deposits	105.7	113.7	119.8
loans provided by banks	105.2	114.0	120.3
wage and other expenses for individuals	103.8	110.9	115.9
retail sales of social commodities	94.6	101.5	107.0
total import (customs)	91.3	100.1	96.5
total export (customs)	89.9	103.5	106.8

Name of targets	1986		1987
	4	1	2
gross industrial output value	114.9	116.2	122.4
gross light industrial output value	116.5	118.3	123.8
gross heavy industrial output value	115.1	115.2	121.9
gross output value of state industry	111.6	112.3	117.5
gross output value of collective industry	125.7	127.3	131.9
amount of money in circulation	123.3	129.0	140.2
bank deposits	127.1	135.3	141.1
loans provided by banks	128.7	133.7	142.7
wage and other expenses for individuals	120.6	123.6	129.1
retail sales of social commodities	109.6	111.1	118.7
total import (customs)	93.3	86.8	92.7
total export (customs)	108.2	112.9	126.0

Name of targets	1987		1988
	3	4	1
gross industrial output value	127.2	131.4	134.7
gross light industrial output value	128.2	130.2	135.9
gross heavy industrial output value	127.8	132.3	134.9
gross output value of state industry	121.1	123.2	125.7
gross output value of collective industry	140.2	147.4	154.3
amount of money in circulation	149.5	147.1	164.0
bank deposits	154.5	155.4	166.5
loans provided by banks	152.2	152.5	163.9
wage and other expenses for individuals	134.7	139.9	148.5
retail sales of social commodities	125.2	127.9	135.9
total import (customs)	97.8	108.1	103.8
total export (customs)	132.9	150.7	144.1

Notes: The bases of all targets in the fourth quarter of 1985 are 100.

Party Circular Issued on Enterprise Law *OW1105060788 Beijing XINHUA Domestic Service* *in Chinese 0711 GMT 10 May 88*

[Text] Beijing, 10 May (XINHUA) — CPC Central Committee Circular on the Implementation of the "Law Concerning Enterprises Owned by the Whole People of the People's Republic of China"

Issued on 28 April 1988

1. The "Law Concerning Enterprises Owned by the Whole People of the People's Republic of China" (hereafter referred to as the "Enterprise Law") has been passed by the First Session of the Seventh National People's Congress. This is a major development in China's economic and political structural reform. Experiences at home and abroad prove that we cannot develop commodity economy without a legal system. The enactment of the "Enterprise Law" has brought to an end the vague legal status of the enterprises owned by the whole people (hereafter referred to as "enterprises") and established an enterprise system with Chinese characteristics in the present stage.

The "Decision of the CPC Central Committee on Reform of the Economic Structure" points out: To invigorate enterprises is the central theme in reforming the economic structure. The various reforms which were carried out in the past few years with emphasis on this central theme have expanded the decisionmaking power of enterprises to a certain extent; preliminarily aroused the work enthusiasm of managers and the broad masses of workers of various enterprises; and ensured the sustained growth of the national economy. However, a great many relations inside and outside the enterprises have not been completely rationalized, and the tremendous potentials of enterprises have not been fully tapped. The enterprises have strongly demanded that they become commodity producers, that managers make their own management decisions and take full responsibility for their profits and losses, and that they be protected by law. It is precisely for the purpose of complying with this demand that the "Enterprise Law" has been enacted. Its implementation and enactment will definitely help to vigorously promote enterprise reform and guide China's enterprise system onto the path of legality. Party organizations at all levels and all party members must earnestly study the "Enterprise Law," consciously support the authority of the "Enterprise Law," and take the lead in implementing the "Enterprise Law."

2. The spirit of the "Enterprise Law" is to ensure enterprises the right to appropriate, use, and deal with, according to law, the property that the state has authorized them to manage, but maintaining that the property is still owned by the state. In other words, enterprises should be allowed to make decisions according to law on how to manage and develop themselves and how to transfer property, including mutual investment, shareholding among enterprises, mutual property transfer,

and mergers. All enterprise production and management activities are legal and permissible as long as the activities do not violate the "Enterprise Law" and other relevant laws. This should be a criterion for testing whether the "Enterprise Law" is well implemented.

The managerial responsibility system of various forms, with the contracted managerial responsibility system as the main form, is an effective way to separate ownership and managerial authority. The State Council recently promulgated the "Interim Regulations on Contracted Managerial Responsibility System for State-Owned Industrial Enterprises." Party organizations at all levels should ensure that the regulations are implemented in their respective locality and unit. At present, it is necessary to take supportive measures to improve and bring to perfection the contracted responsibility system for enterprises. First, it is necessary to introduce more comprehensively the competition mechanism into the contract system and select the best manager through open bidding or hiring. Second, it is necessary to improve the enterprise managerial contract, properly extend the contractual period, enrich contractual contents, and sign contracts according to legal procedures so that the contract will not expire too soon. Third, it is necessary to support and encourage contracts signed among enterprises and among enterprises and scientific research organizations. In order to promote a rational flow and the best combination of technology, qualified personnel, funds, and materials, such contracts may be signed among different regions, different trades, and organizations of different ownership. Fourth, an enterprise should bring to perfection the economic responsibility system, strictly practice scientific management, enforce labor discipline, reduce administrative organs and personnel, and actively implement such effective practices as "full-load working method," overall economic accounting, and use of quotas to control production; it should raise the utility rate of labor, equipment, and funds and lower material consumption. Fifth, it is necessary to seriously explore new forms of contract that can arouse enthusiasm of all workers and staff members and gradually lead to the practice of sharing both risks and interests by all workers and staff members.

3. Ensuring that enterprises have the rights prescribed in the "Enterprise Law" will depend to a great extent on the external environment in which the enterprises carry out their commodity economy activities. At present, the failure to separate government administration from enterprise management is still a major obstacle to making enterprises more vigorous. The implementation of the "Enterprise Law" should be a process of conducting various reforms which focus on the separation of government administration and enterprise management.

It is necessary to resolutely and properly reform government organs at all levels with emphasis on changing their functions. No matter if it is a newly established government department, an existing government department, or a company which already holds some administrative

power, these organizations should strictly enforce the "Enterprise Law"; respect the legitimate rights of enterprises; change their functions in accordance with the principle of separating government administration from enterprise management; reduce their organs and staff; overcome bureaucracy; improve work efficiency; and offer better services to enterprises.

It is necessary to accelerate the improvement of the macroeconomic control system which relies mainly on indirect control. The stress in planning should be shifted to research and formulation of economic, science and technology, and social development strategies, industrial policies, and intermediate and long-range plans. The reform of the finance and tax systems should be conducive to implementing industrial policies; building up enterprise capacity for sustained development; regulating the distribution of proceeds; gradually ensuring a fair tax burden; and promoting fair competition. With the central bank strengthening its overall control, the reform of the banking system must enable specialized banks to operate as enterprises; independently use credit funds; offer various credit services to enterprises; and fully play their regulatory role. The reform of the foreign trade system and the reform of the science and technology management system must help promote industry-trade cooperation and technology-trade cooperation; enable more enterprises to be directly involved in the international market; and enhance their competitive power in the international market.

It is necessary to accelerate the establishment of a socialist market system. It is necessary to continue to deepen the reform of the pricing system so as to enable enterprises to compete in the market on an equal footing. It is necessary to gradually reduce the proportion of mandatory plans, reduce the planned distribution portion of important materials, and enlarge their market-regulated portion. It is necessary to actively expand the money, technology, information, and real estate markets; gradually develop labor service market; ensure normal market order; and enable enterprises to develop themselves with the help of these markets. Assuming sole responsibility for profits and losses and participating in market competition will create a self-restraint mechanism for enterprises. Such a mechanism, plus government administration, will rationalize enterprise operations.

After the implementation of the "Enterprise Law," the "Bankruptcy Law" will begin to go into effect. Therefore, we must further reform the labor system and the welfare system and establish as soon as possible a social security system that conforms to our national conditions.

The practice in recent years has proved that in order to promote reforms with legal means, we must attach importance to legislation, enforce law, and strengthen legal supervision. All enterprises must operate strictly according to law. Financial, banking, auditing, taxation,

and industrial and commercial administrative departments should improve their administrative and supervisory functions in accordance with the "Enterprise Law." Judicial and supervisory organs too should strictly implement the "Enterprise Law," investigate and deal with law violators, and protect the legitimate rights and interests of the state, enterprises, managers, workers, and staff members. At present, we must ban unauthorized imposition and the abuse of power to extort and regard this ban as an important task for implementing the "Enterprise Law."

4. The "Enterprise Law" specifically stipulates that the director of an enterprise is its legal representative who plays the central role in the enterprise and takes full charge of its material and spiritual construction. The enterprise director should exercise his legal authority with regard to the enterprise's operation, production, and use of personnel. Currently, the directors of many enterprises still cannot — or cannot fully — exercise the aforementioned authority, and some directors' legitimate incomes are not properly protected. Earnest efforts must be made to change this situation. In accordance with the requirements prescribed in the "Enterprise Law," party organizations, workers congresses, trade unions, and other mass organizations established within an enterprise must actively support the director to exercise his powers so as to ensure that he can perform his duties. In the future, the systems governing a director's term of office, the objectives to be attained during his term in office, and the auditing of the enterprise's fiscal affairs at the end of his term in office should be constantly perfected. To improve the process of making decisions and the supervisory mechanisms, the procedures by which an enterprise's administrative committee handles its business should also be improved.

It is a new issue that a director is in charge of an enterprise's material and spiritual construction. In the light of this requirement, organs within an enterprise should be restructured in a way that they are properly staffed with leading cadres and working personnel. Spiritual construction should be a task to be shared by the enterprise's administrative and party organs, trade union, and CYL committee. Party and mass organizations should assist the director in making this project a success.

To implement the director-in-charge system, an enterprise's personnel system should be reformed. In selecting the operator of an enterprise, the principle of choosing the right person through open, democratic competition should be observed. As a rule, a director should be openly recruited and determined through competition, and views of workers' representatives should be solicited. Enterprise deputy directors and other mid-level administrators should be nominated, appointed, and recruited by the director according to regulations. To expedite the change of an enterprise's personnel system, the party and the government should also reform their management of enterprise personnel.

5. An enterprise's vitality comes from its ability to fully mobilize worker initiative and creativeness. Worker participation in democratic management is an important part of China's grassroots democracy and business management. We must ensure that operators can exercise their operating rights independently and have managerial authority, and we must also ensure that workers can fully exercise their democratic rights and act as masters of their enterprises. This is the basic principle that must be observed in order to run a business successfully as well as a task to be shared by an enterprise's director, workers congress, and trade union.

A plant director must ensure that the workers congress can exercise its basic powers prescribed in the "Enterprise Law" and actively support the operation of the workers congress and the trade union. The workers congress system within an enterprise — including the election of workers' representatives, the composition of representatives, its activities, and the democratic management of various workshops and work groups — should be improved and perfected in order to ensure that there are practical procedures and effective regulations to be followed when the workers congress exercises its powers.

The trade union of an enterprise is the operating organ of the workers congress. The All-China Federation of Trade Unions will present a plan for restructuring trade unions. We should strive to improve trade union organization and institution and make great efforts to make them more democratic and representative of the masses so that they can do a more effective job in organizing workers to take part in an enterprise's democratic management and supervision, in expressing and protecting workers' interests, and in winning workers' confidence.

As reforms continue, the interests of workers of an enterprise will have increasingly closer ties with its prosperity or failure. The operation of an enterprise will directly determine and affect the realization of the interests of all workers, including the operator. To foster an enterprising spirit and help an enterprise develop dynamically with broad-based support from the masses, we should, through improving the enterprise's democratic management, help all workers understand that they and their enterprise share the same destiny and that they should fully realize that a prosperous enterprise is their honor and a declining enterprise is their shame.

6. While implementing the "Enterprise Law," we must earnestly change the functions of party organizations within enterprises. We must clearly realize that enterprises are not political organizations and that the functions of party organizations within enterprises are different from those of central and local party committees which undertake political leadership. According to the decision of the 13th party congress, party organizations in enterprises will exercise supervisory functions instead of exercising "centralized" leadership over enterprises as before. Party organizations within enterprises should

direct their main attention to building stronger party organs. They should give play to the fighting fortress role of party branches and the exemplary vanguard role of party members; do ideological and political work and mass work; support the directors in fully exercising their powers in the light of the "Enterprise Law"; and present views and suggestions on major issues, thereby ensuring and supervising the implementation of party principles and policies and government laws and ordinances and enhancing the accomplishment of all enterprise assignments. Currently, party organizations in enterprises should consider it their major political responsibility to ensure the implementation of the "Enterprise Law," which embodies the party's determination and stand in reforming enterprises.

From now on, members and secretaries of all party committees within enterprises should be elected through multiple-candidate elections. The number of full-time staff and offices of party committees must be reduced, but their efficiency must be high and administrative affairs should be returned to the administrative departments. In large enterprises, party committees may have full-time secretaries and deputy secretaries working in trimmed but efficient full-time organs; in principle, cadres of small enterprise party organs should perform their duties on a part-time basis and no full-time organ shall be set up; and whether or not party organizations in medium-sized enterprises should have full-time cadres and operate full-time should be determined by the enterprises themselves according to their situation. Following the restructuring of the enterprise leadership system, a considerable number of full-time party personnel in these enterprises will change jobs to become producers, technicians, administrators, or operators. Such being the case, party organizations should take the initiative in helping the directors make the adjustments.

After an enterprise has separated its administration from party affairs, the director will take over the responsibility of doing ideological and political work among the workers. However, this absolutely does not mean that party organizations can ignore their work. In the past the party organizations in enterprises have accomplished a great deal of work in this area. From now on they should continue to do ideological and political work among workers, giving play to the role of all party members of grassroots organs. Not being organs of state power, party organizations, especially those at the grassroots level, should realize their propositions and attract people by such basic means as persuasion and setting examples. While full-time party cadres are duty-bound to do ideological and political work, part-time party cadres and all party members are also duty-bound to do ideological and political work. During the process of restructuring enterprises, we should gradually explore a new path on which party organizations can work in close coordination with administrative and mass organizations and full-time and part-time party cadres can work in close coordination with one another and can rely on all party members and workers to make a success of ideological and political work.

Following the change of functions of party organizations in enterprises, the party organizations in enterprises, which used to follow the perpendicular leadership of party organizations of the upper administrative departments, will gradually follow the leadership of the local party committees. All localities should proceed from their actual situation, actively create the conditions for experiments at selected areas, and carry out the projects gradually in a well-guided manner.

Party organizations should earnestly organize their members to study this circular after it has been issued. Should the documents issued by the party in the past have anything inconsistent with the "Enterprise Law" and this circular, the "Enterprise Law" and this circular shall prevail.

Article Discusses Enterprise Property Rights
HK1105092588 Beijing RENMIN RIBAO
in Chinese 22 Apr 88 p 5

[Article by Tang Fenyi (0781 0023 5030) and Hu Yongming (5170 3057 2494): "A Chat on Reform of the System of Property Rights of State-Owned Enterprises"]

[Text] Define the Relations of Property Ownership and Establish the Legal Entity Right of Ownership [subhead]

To further deepen the enterprise reform, the most important thing is to start a reform in the system of property ownership in state-owned enterprises. The reform of the system of property ownership in state-owned enterprises covers two correlated aspects: First, we must recognize the enterprise's right of ownership of assets that it operates as a legal entity. Where the relations of property ownership in state-owned enterprises are concerned, we must introduce a structure of dual ownership—the state's ultimate ownership of assets (ultimate right of ownership, or primitive right of ownership) and the enterprise's ownership of assets as the legal entity (the legal entity right of ownership). Second, we must use the legal entity right of ownership as a lever to stimulate the breakdown of state functions and realize the personification and pluralization of state enterprise assets.

The so-called legal entity right of ownership, in essence, lies in standardizing, in legal form, the enterprise right to possess, dispose of, and operate assets. This is to enable an enterprise to possess its own assets as a legal entity and to freely handle and dispose of asset investments in it by different owners according to its own will, thus really establishing its status as a legal entity that operates independently with responsibility for its own profits and losses. The legal entity right of ownership, as far as an investor's ultimate right of ownership is concerned, is an extension of the right of ownership. There is, therefore, no change in the nature of the system of ownership of investments.

The most important differences setting apart the enterprise legal entity right of ownership from what we usually call the enterprise power of operation are: 1) It vests the enterprise legal entity with direct and exclusive powers to dispose of assets (usually exercised through its representative—the board of directors). The ultimate owner of enterprise assets, after being committed to an investment, only has the power to reap yields on assets and the power to transfer shareholdings. Legally, he has lost the power to apply and dispose of enterprise assets. 2) The enterprise legal entity right of ownership calls for an enterprise to independently assume the risks of operation, with responsibility for its own profits and losses, where the assets that it operates as a legal entity are concerned. As the owner of an enterprise, the state assumes limited responsibility for the latter's obligations, where the assets that it invests in the enterprise are concerned. Thus, the relationship of an enterprise relying financially on the state and being attached to it is ended. 3) The establishment of the right of ownership by an enterprise as the legal entity means that the relations between an enterprise and the state are no longer those of administrative subordination but purely economic relations. As the ultimate owner of enterprise assets, the state can only have the relations of ownership of commodities on an equal footing with an enterprise, and reap proper asset yields based on the amount of investment in it and the returns on the relevant investment.

The establishment of an enterprise's right of ownership as a legal entity, fundamentally speaking, is an objective demand with the further deepening of our economic reform. It is what a socialist commodity economy calls for. It is essentially to meet the needs of the operation of a commodity economy and restructure the ownership composition of state enterprises. If it is argued that in the operation of the commodity economy, the defects and lack of flexibility in regard to the pricing system may give rise to errors in the deployment of resources and unfairness in the distribution of income, then given no claim of the right of ownership of assets by an enterprise as the legal entity, or what is called an independent right of ownership, no basis for market rules and the system of the commodity economy can be formed. As far as actual conditions of our country at present are concerned, the deepening of the enterprise reform with the establishment of an enterprise's right of ownership as the legal entity carries great significance in the following respects.

First, the establishment of an enterprise's legal entity right of ownership helps an enterprise in thoroughly eliminating the bonds of state administration. It has an effective impact on the current situation marked with regional and departmental pockets of influence and administrative interference and helps change it. Thus, economic relations of a new type suited for the development of the commodity economy can be established among departments, regions, and enterprises.

Second, the establishment of an enterprise's legal entity right of ownership helps in cultivating modern entrepreneurs and putting enterprise behavior on a long-term

basis. This is because after acquiring the right of ownership as an independent legal entity, with enterprise benefits strengthened, enterprise operators are not only responsible for adding to the value of assets of the owner but also mindful of long-term and sustained enterprise development. The dual pressures of a need to add to asset value and market competition will naturally stimulate an enterprise to put returns on assets and long-term development first and make for the rationalization of enterprise behavior.

Third, the establishment of an enterprise's legal entity right of ownership also helps in forming and perfecting a socialist market system and developing relations between commodities and money at various levels. The key to the formation of a market system lies in the appearance of large numbers of operators as subjects based on independent ownership. Through their frequently carrying out such activities as making investments, the transfer of product and asset ownership rights, a stimulation is provided for the rational circulation of the elements of production among departments and enterprises, bringing about the formation and perfection of the socialist market system.

The Realization of the Subjectivization and Pluralization of State Enterprise Assets [subhead]

The second aspect of the reform of the system of ownership is also a relatively difficult one. It calls for the subjectivization, clarification, and pluralization of state enterprise assets. This is because given no subjectivization, clarification, and pluralization, the enterprise legal entity system can hardly be established.

To realize the subjectivization of the representative of state-owned assets and reinforce the functions of the owner and its restraints on operators, we must first break down state functions. We must bring about not only the separation of the state's right of ownership of all the people's assets and its power of administration but also the separation of state ownership of property and the power of macroeconomic control. We must establish specialized and enterprise-type organs that operate state-owned assets, and concentrate ownership-related functions now scattered in administrative departments in charge at various levels. The organ operating state-owned assets should be a profit-making specialized company devoted to the business of investing state-owned assets and reaping yields thereon and involved in the management of enterprises with state shareholdings in them, and should make asset investment decisions and transfers of ownership rights on the basis of returns on assets, growth of value, and safety. The operations of organs handling state-owned assets should also be put on a competitive and open basis. We should set up a number of competitive state assets management organs in various major cities and economic zones of the country, and allow and encourage them to compete among themselves and make deals in the transfer ownership rights in various forms that cut across areas and

across trades. This is to prevent the monopolization of property rights in various forms and the appearance of special privileges. In this way, we can, on the one hand, enable state departments in charge to be relieved of intervention in enterprise routine business and devote themselves to managing the whole national economy and improving the quality of macroeconomic management. On the other hand, we can through the state assets management organs strengthen restraints over the property of enterprise operators, strengthen economic management, improve results in the use of assets, and get rid of the defect of the original system under which "anyone is the owner of all the people's assets, and no one is responsible for those assets."

The second aspect of the reform of the relations of ownership of state enterprises is to scatter state assets through various proper channels and gradually realize the pluralization of the right of ownership of state enterprises. Experiences of many contemporary countries in economic development show that under the system of a modern commodity economy, it is not the best choice for a state enterprise to have a 100 percent state controlling interest in it. In light of the status and role of enterprises of various kinds in the national economy, we must properly scatter state enterprise ownership rights. This not only serves to change the nature of public ownership but also helps weaken the state's monopoly of assets and direct intervention in enterprises arising therefrom, thus bringing about the rationalization of the operation of state enterprises and the exercise of restraints over enterprise property.

At present, our problem is how to cultivate pluralistic property subjects other than the state as quickly as possible, with no harm done to the interests of the state. We believe that due to the lack of clarification about existing state asset ownership rights and unclear demarcation lines about assets—a condition caused by historical and other factors—to prevent such phenomena as underestimating the value of state assets, privately expropriating what belongs to the public, and so forth and to diversify state enterprise property rights, we must first assess and audit the total value of assets of existing enterprises, including an elaborate investigation of conditions in such respects as fixed assets, working capital, the rate of return on funds, the retained percentage of profits after taxes, and so forth. Given the sorting out of enterprise assets as a prerequisite, we must, through effecting sales at proper prices, gradually put enterprise ownership rights on a scattered and pluralistic basis. Given the current situation in which internal and external enterprise relations have not been completely straightened out, we may consider the realization in two stages of the pluralization of enterprise property rights. First, we may introduce a joint stock system to increase capital. This means that new enterprises may be started by raising funds with a stock issue. Existing enterprises may issue stock to obtain finance for expansion. Second, we may further introduce the joint stock system with regard to reserve assets.

How should we cultivate pluralistic property subjects based on public ownership as the core and form a rational mix of property rights in state enterprises? Our tentative idea is that the mix of property rights established in state enterprises must not only help toward the state's macroeconomic control but also be prompted by an increase in the competitiveness of most state enterprises. The proportion of state assets in an enterprise should be based on the role that enterprises of various kinds occupy in the national economy. Apart from a holding by the state, we should first energetically promote equity participation by social legal entities, urging various trust organs, insurance companies and investment banks to buy stock, encouraging enterprises and institutions to make joint investments, and establishing a number of new legal entity stock holding companies. Second, we must recognize enterprise workers as collective stockholders, with stock issued by an enterprise with its own capital accumulated gradually over the years belonging to it. (The money-losing enterprise generally does not have such a stock issue). Third, we must encourage individual workers (including workers in other enterprises) and private operators to invest in state enterprises as shareholders (with a given limit to the shareholding), in order to bring into being public and private combination enterprises.

Commentator on Superiority of Enterprise Group
HK1105002188 Beijing RENMIN RIBAO in Chinese
30 Apr 88 p 1

[Commentator's article: "Superiority of Enterprise Groups in Competition"]

[Text] At present, the implementation of the strategy for economic development in coastal areas and the development of an export-oriented economy are being speeded up in China, especially in the coastal areas. Today, our paper carries a report on the Kangda Group, which has given play to the superiority of an enterprise group and earned more foreign exchange by expanding export. What the group has done embodies the valuable spirit of actively implementing the strategy for economic development in coastal areas.

Enterprise group is a new thing that has appeared in China's economic life in recent years. It is an outcome of the further development of lateral economic ties. From the practice of the Kangda Group we can see that enterprise group is a good form of organization that is full of vigor and vitality in international competition and exchange. It has made a number of enterprises combine and closely cooperate with one another under a common goal, learn from and help one another, and make up one another's deficiencies, so that the enormous potentialities in production can be fully tapped. The great strength of enterprise groups make them able to stand all kinds of tests in international competition.

The strategy for economic development in coastal areas is not merely a regional strategy, but a strategy for the whole country. It is not only a matter of the coastal cities and areas, but a matter of the whole party and the people throughout the country. Undoubtedly, in order to carry out this strategy, it is first necessary to promote the development of an export-oriented economy, which is characterized by "putting both ends of the production process on the world market" and "large quantities of imports and exports," in the coastal areas. However, the export-oriented economy should also include the export of more domestic products on the basis of improving the quality and increasing the grade of products and the export of more applicable technologies and high-tech products. We must not only carry out extensive economic and technological exchange with the developed capitalist countries, but must also strengthen technological and economic cooperation with other socialist countries and developing countries. The situation varies from place to place in coastal areas and in various trades and professions. We should not have only one pattern for the development of an export-oriented economy but should give play to our superiority and create our own experiences in light of our own characteristics. Opportunity and hope are existing with risks and difficulties. We should be prudent and careful and should be bold in doing things. The initiative of the Kangda Group is valuable because it can help us carry out reform of the existing economic structure, speed up the pace of replacing the old structure with the new, and change the existing enterprises into export-oriented enterprises as quickly as possible in accordance with the demand of developing an export-oriented economy.

Article Views Property Rights Transfer System
HK1105102088 Beijing GUANGMING RIBAO
in Chinese 30 Apr 88 p 3

[Article by Qiao Gang (0829 0474), Wen Yueran (2429 6460 3544), Yu Baogang (0060 1405 0474), and Wang Weidong (3769 0251 2639): "The Property Rights Transfer System: The Strategic Option for Deepening the Contracting System"]

[Text] As a new phenomenon in the reform, property rights transfer has noticeably gained momentum in our country. How to meet this challenge in theory has become a task of great urgency. This article will discuss the basic theoretical problems relating to property rights transfer and the relationship between property rights transfer and the existing contract system.

The Dual Generalization of the Connotations of Property Rights Transfer [subhead]

In socioeconomic life, the concept of property rights covers a fairly wide range of fields. The property rights discussed here refer chiefly to the property rights of enterprise property.

It is generally explained that property rights refer to ownership, in particular, ownership of property. This ownership includes the right to possess, to dispose of, and to benefit. Therefore, property rights in this sense are nothing more than another way of referring to property ownership. We call the property rights that are equated to property ownership property rights in the broad sense.

The connotations of property rights are not confined exclusively to ownership of property. In real economic life, the transfer of and dealings in property rights between different enterprises do not include the shift of property ownership. Although the right to possess, dispose of, and to benefit from enterprise property is part and parcel of property ownership, under specific circumstances, this right can be separated from property ownership to a certain extent and in a certain form. This separation is in general called separation of management power and ownership. The transfer with compensation of the right to possess, to dispose of, and to benefit from enterprise property in a certain period of time, though it is a form of property rights transfer, may very likely involve only management power rather than ownership. Therefore, we call the property rights in this sense property rights in the narrow sense.

As property rights have two connotations, so is the case of the transfer of property rights. One refers to the exchange of property ownership and the right to possess, dispose of, and to share benefits from property, which is part of property ownership, between different owners. This is in fact the transfer of ownership. The other connotation refers to the fact that when property ownership is not transferred or not completely transferred, the shift of the other rights, such as the right to possess, dispose of, and to benefit, between different operators is in fact the transfer of management power.

The Objective Basis for the Transfer of Property Rights [subhead]

At present some comrades in theoretical circles have differing views on the second connotation of property rights transfer. They contend that the transfer of property rights involving only the shift of management power in the absence of ownership or the partial shift of ownership can hardly exist. As we see it, this is more or less a one-sided view. The main reasons for our argument are as follows:

First, since the concept of enterprise property is complicated, we should understand property rights transfer from many angles. In Western economics, enterprise property (or capital) has always been a concept that can be understood from many facets. In real socioeconomic life, property assumes two forms of expression—use value and value. This being the case, people can understand it from these two facets—use value and value. When capital is viewed as a material, the result of property rights transfer is the shift of property ownership

between different owners. When capital is regarded as value, the result of property rights transfer is merely the change in the form of expression of property ownership rather than the shift of property ownership between different owners.

Second, owing to the development of the organizational forms of enterprises in real economic life, the transfer of property rights in the second meaning becomes an inevitable phenomenon. In those countries adopting the market economy system, a basic characteristic of enterprise organization is the joint-stock system. Under this system, the assets of the enterprises have the following two striking characteristics: first, the separation of ownership, possession, and the right to control the assets and the right to share profits, or the separation of ownership and management; second, the commercialization of the ownership of assets, that is, having the ownership of the assets expressed in the form of shares, bonds, and other securities. Thus, the transfer of property rights must mainly adopt the form of the second meaning. This is because: 1) After the joint-stock system is adopted as the main organizational form of enterprise and ownership is separated from management, enterprise management is carried out under the control of the manager. In order to carry out effective management, the manager must effectively arrange enterprise capital. In other words, the manager must make some timely changes in the quantity of capital and investment orientation in light of the changes in various economic conditions. While carrying out such activities, the manager is actually making a transfer of the right of a part of the capital in production and in sharing profits. But it does not concern the transfer of property rights. This kind of transfer is, in essence, the transfer of property rights in the second meaning as was just mentioned. 2) After the ownership of the assets is commercialized and is expressed in the form of securities, that is, in the form of value, the assets of enterprises will be viewed from a new angle of value. It is natural that people will have to observe the transfer of property rights from the same angle.

Third, the characteristics of the evolution of ownership decide that the transfer of property rights has a complicated meaning. The evolution of ownership is a considerably long course. This is the same for both the capitalist private ownership of the means of production and the socialist public ownership. In this course, both the intensive and extensive natures of ownership will be constantly changed along with the changes of various internal and external conditions. It will result in two characteristics of the evolution of ownership. The first is that the continuously developing and expanding ownership will make all the fixed and unchanged forms of ownership difficult to operate and exist. The other is that in the course of evolution, the new ownership contains some elements of the old, while the old ownership also contains some elements of the new. The two characteristics bring about a common result, that is, it will be difficult to form a so-called "pure" or perfect ownership

in real economic life. Under these circumstances, the transfer of property rights will very possibly be a kind of transfer without or with only a part of the transfer of the ownership of assets.

Although in theory the delimitation of the property rights relationship is a prerequisite for the transfer of property rights, proceeding from China's current situation of ownership and assets management in enterprises, the development of the transfer of property rights to a certain extent will also play a positive role in delimiting the property rights relationship and enhancing the mechanism for the management of state-owned assets. Therefore, the guidance for and the development of the transfer of property rights are also indispensable in our practice.

The Relationship Between the Property Rights Transfer System and the Contract System [subhead]

The property rights transfer system is the systematization of the economic phenomenon of property transfer. It will be an inevitable result of the current development of the transfer of property rights in China. Then, what is the relationship between this system and the contract system?

Judging from the current reform of the enterprise contract system, it is a practice of separating ownership from management under the existing structure of ownership. Its main purpose is to enliven the state-owned enterprises through transferring the management power to the lower levels. The contract system is limited by the thorough separation of ownership and management of enterprises. Since the ownership and management are separated in varying degrees, the contract system also has different intensive meanings. There is a broad area between the combination and the separation of ownership and management.

Obviously, even if the contract system goes to its extreme, that is, if the ownership is thoroughly separated from management, it still cannot include the transfer of property rights in the first meaning, because this kind of transfer takes the change of the ownership of the assets as its condition, which is not required by the extreme form of the contract system. However, the situation is entirely different when the transfer of property rights in the second meaning occurs. According to our definition, the so-called transfer of property rights in the second meaning refers to the transfer of the rights to possess and control the assets and the right to share profits under the condition that the ownership is not changed. The transfer of all these rights is within the category of the transfer of the management power. Even if this transfer is extended to its extreme, it is still an activity within the range of separating ownership from management. Therefore, the transfer of property rights in the second meaning can be fully developed while implementing the current contract system. In theory there should be no problems at all.

Gaining a clear understanding of the links between the transfer of property rights and the contract system is of very important guiding significance, because it directly concerns our basic evaluation of the contract system and our main design and arrangement for developing the property rights transfer system. The contract system cannot be made simple. It also needs to be further improved and deepened. For example, in the existing contract agreements, the responsibilities of the enterprise (the contractor) toward the state (the contract holder) are usually described as follows: The enterprise should pay a certain amount of profits and tax to the state in the contract period and return to the latter after the contract expires the assets of the contracted enterprise that are basically in their original forms. This has actually restricted the power of the contracted enterprise to deal with its assets. Under this condition, it is very difficult to develop the transfer of property rights while carrying out the contract system. Therefore, it is necessary to make a change in this article of the contract and allow the enterprise to return to the state its assets in any forms after the contract expires, provided the quantity is not changed. Thus, the enterprise will have the right to change the form of its assets in the contract period, that is, the special right to transfer assets.

While popularizing the contract system and carrying out the second type of transfer of property rights, a complete and overall property rights transfer system will also be gradually established and developed. The trend of development will proceed as follows: Through implementing various forms of contract systems, the vertical relationship between the government and enterprises in the distribution of assets and profits will become clearer and clearer in respect of responsibility, power, and interests. At the same time, the property rights transfer system will, in a specific sense, enable the transfer and flow of the property rights to combine itself with the contract system, and a mechanism for transferring and disposing assets in accordance with market principles will be gradually established. Thus, being pushed by the two factors, the change of enterprise operation mechanism will be further promoted and developed. In this development, to establish a real main body of the market and realize the restructuring of industrial organizations so that the disposal of natural resources can be more effective will be more closely related to each other and become an organic whole.

Article Views Difficulties in Rural Reforms
HK1005070188 Beijing LIAOWANG in Chinese
No 14, 4 Apr 88 pp 16-17

[Article by Jiao Ran (3542 3544): "What Are the Hard Nuts in Deepening Reforms in the Rural Areas?—An interview with Chen Xiwen (7115 6932 2429), deputy director of the Rural Development Research Center under the State Council"]

[Text] In the last 2 years, the rural economy and reforms which rapidly developed in preceding years have encountered many difficult problems: The state monopoly of grain purchases "was reformed but has not

brought the desired tangible results"; the relaxation of controls on the prices of such products as pork, poultry, eggs, and vegetables met with drastic ups and downs in supply and demand, resulting in a swing in the market; and some new frictions cropped up as 80 million peasants took up jobs in the nonagricultural sector. In the face of this situation, many people are puzzled about how to deepen rural reforms and their prospects.

How can we discover the difficulties in developing the rural economy and intensifying reforms and develop reforms in depth? With this question in mind, this reporter recently interviewed Chen Xiwen, deputy director of the Rural Development Research Center under the State Council.

A Scientific Appraisal of the Three Stages of High Growth in China's Rural Areas [subhead]

When dealing with problems such as the drastic swing in the supply and demand of non-staple foods centering on pork; a slowdown in grain production; and a decrease in the growth of the peasants' income, Chen Xiwen said to this reporter: These facts actually show that the rural economy and reforms which have developed in an overall manner for several years have now developed to such an extent that they have touched on society's relations of interest. Moreover, the reform of the pattern of economic interests formed on the basis of the existing structure needs not only time but also economic strength. This state of affairs cannot but affect the current growth rate of the rural economy.

From the angle of the basic leads of rural economic growth, Chen Xiwen expounded this view to the reporter.

He maintained: The 1979-85 period of high growth of our country's rural economy is composed of three high tides of economic growth. The first high tide took place between 1979 and 1984, a period of high expansion in the production of primary farm produce (grain, cotton, and oil-bearing crops).

The second high tide saw a big growth in nonagricultural industries mainly between 1984 and 1985, during which total output value of township and town enterprises increased by 40 percent to 50 percent a year. At the end of 1985, the output value of township and town enterprises totaled 272.8 billion yuan, comprising 44 percent of total rural product of society and 17 percent of the country's total product of society. They earned \$4 billion in foreign exchange for the state. Most importantly, nearly 70 million peasants have taken up jobs in the non-agricultural sector.

The relaxation of controls on the purchase, marketing, and the prices of non-staple foods, such as livestock products, aquatic products, fruit, and vegetables, formed the third high tide of rural economic growth. This happened chiefly in 1985. With the opening up of

markets for farm and sideline products, the prices of pork, beef, mutton, aquatic products, and fruit rose rapidly but market supplies increased more rapidly. As a result, prices are higher and market supplies are more ample than in the past, and consumers are mostly pleased with this state of affairs. Since direct purchases by city dwellers of non-staple foods from the peasants increased by a wide margin, a considerable portion of their living expenditure has gone to the hands of the peasants as cash income. Consequently, while there is a reduction in cotton and grain production, the peasants' income from the sale of farm and sideline products continues to rise. Hence, the growth momentum of the peasants' cash income is maintained.

Contradictions in the Pattern of Interest Check the Development of the Rural Economy [subhead]

Why have the growth-propelling factors changed after 7 years or more of sustained high growth? Why have no obvious factors driving economic growth in the rural areas emerged since 1986? As Chen Xiwen put it, this is mainly because every high tide of rural economic growth touched on the inner contradictions of the pattern of interests.

The big increase in the supply of primary farm products has alleviated the contradiction of outstanding shortages in farm produce but touched on the problem of how to redistribute the national income between the state, city dwellers, and farmers.

The great development of nonagricultural industries has brought a new hope for putting an end to the situation in which 800 million people concentrate on food production but further intensified the clashes of interest already existing between urban and rural industry and commerce.

The relaxation of controls on the purchase and marketing and the prices of farm and sideline products has unprecedentedly enriched the market for non-staple foods but at the same time deeply touched on the contradiction of interest between different localities, between different departments, and between city consumers and farmers.

As we lack the conditions for thoroughly solving the contradiction of interests touched by every high tide of growth, the factors stimulating the growth of the rural economy must tend to diminish or change. Since the introduction of the reform of the system of unified and fixed state purchases of farm and sideline products, various contradictions of interest have been clarified. This shows that the rural economic reform has come from overall development to a turning point of deepening and widening, calling for a readjustment in the pattern of interest between town and country and between worker and peasant, thus setting off new clashes of interest. However, the change of the pattern of interest should come after economic growth. This is necessary for

maintaining social stability. It is precisely being in this situation where it is difficult to harmonize the relations of interest between different sides concerned for the time being that has added difficulties to the formation of factors driving the more rapid growth of the rural economy. Hence, the situation in which the rural economy grew at a reduced rate.

Chen Xiwen held: Creating conditions to readjust the pattern of interest formed on the basis of the existing structure in an overall manner needs both time and economic strength. It cannot be accomplished in one go. Therefore, in the new stage of rural economic growth and reforms, we should solve two problems of understanding: One is that we should not cherish unrealistically high hopes and in particular we should cast away the illusion asserting that the rural economy can regain its high growth momentum so long as a document is issued or a certain policy is pursued. The other is that, through solid and painstaking work, we should consolidate and make further advances on what we have achieved in reforms and conscientiously solve the basic problems we are unable to evade in the days ahead so as to ensure the sustained and stable growth of the rural economy.

Recognize Difficulties in Rural Reforms, Stimulate Confidence in Reform [subhead]

Chen Xiwen said: There will be some unavoidable difficulties in the rural reforms and economic growth in the days to come. They are mainly as follows:

The first is the problem of land. There are chiefly two reasons for the drop in the peasants' enthusiasm for increasing input into their contracted land. One is that comparative earnings from agricultural production are low and the other is that there have been no clear laws and regulations on land contracting so far and a lack of a long-term, stable guarantee in this regard. Therefore, the first thing to do at present is to enact a land contracting law commensurate with our country's national condition so as to stabilize contract relations. With regard to large-scale production in land, Chen Xiwen maintained: This is the natural demand society set for better returns from land use. However, in terms of the current situation, as far as the peasants are concerned, land is not only a means of production but also a social guarantee. In most localities, the relation of land to the peasants is just like that of the "iron rice bowl" to employees in the cities. Only when the function of land as a social guarantee diminishes can large-scale land production be carried out. Accomplishing this objective calls for a great expansion of non-agricultural industries. This is a relatively long process. Therefore, at present, greater importance should be attached to the expansion of the scale of operation of the sectors outside land. In other words, we should raise the utilization rate of land by providing the peasants with social services in production.

The second problem is that of grain. Grain production picked up in 1986 and 1987 after it declined in 1985. Our objective is that every person will have, on the average, 400 kg of grain by the turn of this century. It is quite difficult for the rural areas to achieve this objective but as far as the people of the whole country are concerned, it is just a matter of increasing the average per-capita consumption of grain by 4.5 kg over the 1984 level. This being the case, we should not hold too high hopes of improving the quality of our diet. The key to the solution of the problem of grain lies in setting the prices of farm produce and directing production in accordance with the law of value. Under the product economic structure and before the question of having enough to eat and wear is solved, the existing price policy of purchasing grain at low prices and selling it at prices lower than its purchase price is necessary but when the current economic structures of the cities and countryside are replaced by a planned commodity economy and the question of enough to eat and wear is solved, it can stimulate consumption and suppress production. We must be clear about the objective of grain consumption: To ensure people have enough to eat or to ensure them a good meal? After people have a warm body and full belly, they want more grain for making feed and wine. The availability of the grain for these purposes is subject to resources and the state's financial capacity as well as to the relations of interest between the cities and countryside. Continuing the practice of purchasing grain at low prices and selling it at low prices with state subsidies will not only adversely affect the interests of the peasants but also disrupt the balance of the overall objective of the state's economic development. Therefore, in the days ahead, we should gradually just ensure the buying and selling at low prices of products essential for meeting people's needs for food and clothing. Consumers who want a better meal should be encouraged to pay for themselves. To put it another way, we should depend on regulation through market mechanism in meeting their demand in this regard. Hence, there is both stability and flexibility as far as grain consumption is concerned. In reality, after they have enough to eat, city dwellers are confronted with two choices: Prices are somewhat higher but the market is ample or prices are forced down but market supplies are short. Which of the two will we choose? Obviously, the former.

The third problem is that of employment for the peasants. In our country, every rural household has on the average only half a hectare of cultivated land. If non-agricultural industries are not developed, both the peasants and the state as a whole will be unable to get rich. Township and town enterprises which play an inestimable role in solving the problem of employment for the peasants are an important way to modernize our country's employment structure. However, at present, the development of township and town enterprises is restricted by such factors as funds, qualified personnel, and systems. Therefore, all quarters concerned in society should help them solve problems and create for them a social environment conducive to their development.

The fourth problem is that of the material and technical conditions and the efficiency of organization and systems for backing the continued growth of the rural economy. Agricultural development calls for effective material and technical conditions as well as efficient organization and systems. In the last few years, there has been a marked drop in the investment in agricultural capital construction made by financial departments at various levels and moreover, the peasants have not had the capability to undertake agricultural capital construction as main investors in terms of both organization and mechanisms and the current farmland irrigation works and power supply are far from meeting the needs of sustained agricultural growth. Since rural reforms were conducted, the establishment of some indispensable systems, in particular, the property system and market trading system, have only just begun. Without the guarantee in organization and systems, investment mechanisms will be hard to form and even if there are funds, it will also be difficult to raise the returns on investment. Therefore, the establishment of new organizations and systems will be a task of great importance and urgency in the days to come.

The fifth problem is that of the relations between town and country. In terms of the ratio between industrial and agricultural output value, our country has approached the level of modern countries but in terms of the employment structure, it remains in a state similar to a primitive society. So long as this structure is not altered, it will be impossible to narrow the differences between worker and peasant and between town and country and the peasants will always be in an unfavorable position. With the introduction of reforms, the contradiction of interest between town and country has become clear. The alteration of such a structure is the prerequisite for solving this contradiction. However, to genuinely solve the problem, it is necessary, first, to boost the state's economic strength and second, to discard the traditional concept of underestimating the countryside and despising the peasants, a concept widely held in society. To achieve this goal will require sustained hard work.

Commentator's Article Discusses Rural Reforms
HK1105001588 Beijing NONGMIN RIBAO
in Chinese 22 Apr 88 p 1

[Commentator's article: "Reforms Must Dominate the Entire Picture in Rural Work—Also Comment on the Main Target of the Second Stage of Reforms"]

[Text] At present, the "wave crest" of the periodic fluctuations in our agriculture has passed, and this is very favorable to our steady economic development. However, some economic relations concerning agriculture have not yet been rationalized, and some problems have yet to be solved through further reforms. The party central leadership recently put forth the strategy for speeding up the economic development in coastal areas, and this also put forth new requirements for further reforms in the countryside. According to the surveys of

the departments concerned, what has caused the most resentment among peasants is the price increases of production materials while the prices of farm products remain rather low; and what has caused the biggest difficulty to peasants is the lack of social services which support their production. Facts show that many factors are still hindering the development of rural productive forces. Therefore, rural reforms must continue in depth; the rural policies must be further adjusted; and various measures should be further improved.

Many grass-roots cadres and peasants said that in the first stage of rural reforms, the central task was to introduce the household production responsibility system based on household output contracts, and they were able to clearly grasp the target that they should strive to reach. However, in the second stage of rural reforms, they cannot see the target so clearly. Maybe this is also a sign of the in-depth development of the rural reforms. In fact, marked results have also been achieved in the second stage of rural reforms. For example, we have adjusted the production structure, reformed the circulation system, and developed township and village enterprises. Therefore, as we continue to deepen the reforms, we just carry forward and improve the reform measures that we have adopted.

Then, what is the main target of the current in-depth rural reforms? It seems that our efforts should be directed in three aspects: first, further improve the household contract system; second, establish the market mechanisms; and third, formulate and perfect the policies for overall government economic control.

Rural reforms have indeed promoted the development of productive forces. Between 1978 and 1984, the household production contract system played a big role in increasing the grain output in our country by more than 200 billion jin. So far, the potential in this regard has not been fully tapped yet. Admittedly, household operation is carried out on a small scale with land being divided into many small pieces, so its ability to cope with market fluctuations is rather weak and it has to undertake relatively big risks. This is definitely a shortcoming of household operation. However, we cannot return to the old path of pooling manpower and materials all together; and we can only rely on scale operation to gradually solve these problems. In the future, scale operation in agriculture will certainly be superior to scattered household operation, and will become the inevitable tendency in our country's agricultural development. However, the development of scale operation needs certain conditions, and scale operation can only be advanced appropriately. That is, the productive forces must reach a certain level; and in particular, agricultural mechanization must reach a certain point. Meanwhile, part of the rural labor force must be shifted to the secondary and tertiary industries. The system and network of pre-production, in-production, and post-production services for agriculture must be formed. Only thus can agricultural production be carried out on a certain scale in a pattern of specialized

commodity production. At present, the localities which have not had the conditions for organizing scale operation in agriculture should encourage peasants to take various forms to organize economic associations and to select diverse cooperation patterns. In localities where specialized production is rather developed, peasants can organize various producer societies, and realize specialized economic associations. Thus, peasants can organize themselves to provide services for themselves. Service cooperation can also be carried out within a locality so that comprehensive services can be provided for scatter household operation. Both household and collective operation should be further improved. Now, the peasant masses generally require well-organized comprehensive and specialized services for their production development. Our rural leaders at various levels should clearly realize this situation and comply with the mass demand by actively supporting the development of various forms of cooperative economies.

We are glad to see the appearance of a gratifying phenomenon in the rural economic life. That is, many peasants now do not act according to the old conventions or according to the will of the officials; instead, they arrange their production and business operation in light of the market conditions and the price changes. This is a sign of major progress from the product economy to the commodity economy. Doing business with the peasants in light of the law of value was a major experience we gained in our agricultural development in 1987. The law of value is a major regulatory lever for commodity production. If there are mature market mechanisms, prices will be able to accurately reflect the changes on the markets; and through the market feedback, a balance of market prices will be formed and will promote steady production development. Therefore, our current rural reforms should also help build and development the market mechanisms. This is also an important issue.

The present problem is that under the old system, the price parity between industrial and agricultural products was unreasonable for a long time, with the prices being favorable to the cities and unfavorable to the countryside. Goods were not exchanged at equal value between cities and the countryside. This increased the costs of agricultural production, and added unbearable burdens to the peasants. The prices of some products now must be adjusted because they are too low. In addition, the price parity between grain and cash crops or between different cash crops was not reasonable either. For example, the price of sugar remained unchanged for many years. In the past, one jin of sugar could be exchanged for three jin of fruit; but at present, one jin of sugar can only be exchanged for less than one jin of fruit. No wonder peasants are not willing to plant sugarcane and sugar beet. Therefore, only through price reforms can we rationalize the price parity between industrial and agricultural products and rationalize economic relations between cities and the countryside, and only thus can we arouse the peasants' enthusiasm for production and operation and speed up the development of the rural

commodity economy. At the same time, we should also strengthen market building, develop specialized markets, build wholesale markets, more effectively organize and promote material circulation of materials between cities and the countryside so as to enhance the organization degree of the peasants' marketing activities and to develop rural commodity production.

If things are handled in light of the law of value, does this mean that rural cadres at various levels will have nothing to do? No, obviously not. On the huge stage of the commodity economy, cadres at various levels can still play a major role. They should learn how to do business with the peasants in light of the law of value. Many comrades are now still unfamiliar with this and still lack experience in handling the commodity. Sometimes, our cadres may still not respect the law of value and may do something that dampens the peasants' enthusiasm for production. We should sum up our positive and negative experience so that we can become smarter. We should understand that peasants, as producers, always try to sell their products at a higher price on the markets so that they can make more money, while consumers always want to buy goods at a lower price. This contradiction will have to be settled through the market mechanisms, and the interest and psychological conflict between producers and consumers can thus be settled. Moreover, the market can also provide opportunities for both producers and consumers to make choices and eventually reach the interest and psychological balance between the two sides. However, under our existing system, the government stands between the two sides, representing producers when dealing with consumers and representing consumers when dealing with producers. As a result, the government spends a lot of money to subsidize both sides, but neither side is satisfied with the state of affairs. Therefore, it is now necessary to formulate and perfect the overall economic control policies for the government so as to guide the market mechanisms. Then, the market mechanisms will act as the medium for coordinating the interests of producers and consumers and maintaining the psychological balance between the two sides, and the government will play a role in guiding the market rather than replacing the market. We should really use economic means to regulate and control the market economy. Of course, the establishment of the market mechanisms does not mean that all economic problems can thus be solved. We should at the same time solve such issues as increasing agricultural investment, developing agricultural science and technology, and giving overall guidance to agriculture. With the market mechanisms, our work in these fields can be carried out more effectively, and can more effectively speed up the process of agricultural modernization and rural commodity production.

Ni Zhifu Reviews Role of Trade Unions in Reform
HK1005005588 Beijing RENMIN RIBAO
in Chinese 30 Apr 88 p 2

[Article by Ni Zhifu (0242 1807 4395): "Integrate the Development of Productive Forces With the Defense of the Workers' Interests—Give Play to the Important Roles of the Trade Union in Reform and Construction"]

[Text] At the First Session of the Seventh NPC, the spirit of the 13th CPC National Congress was further implemented and various tasks for the reform and construction in the coming 5 years were set forth. If the objective of economic development in the coming 5 years is attained, we will be able to lay a solid foundation for realizing the goal of quadrupling the GNP and making the people's lives become comparatively well-off by the turn of the century. Our objective is magnificent, and our tasks are very arduous. The workers throughout the country must continue to develop the high sense of responsibility as masters of their own houses and make new and greater contributions to implementing the party's basic line, deepening reform, promoting the process of opening up, and realizing economic prosperity and social stability. This will be the best action to celebrate this year's May Day.

Economic and Political Structural Reforms Make Trade Union Reform a Pressing Task and Also Provide It With a Good Environment [subhead]

In order to have the workers throughout the country better united and promote reform and construction, we are now faced with a pressing task of trade union reform. Our trade unions, which unite the broadest masses of workers, should be social political organizations under the leadership of the party, able to represent the interests of the workers, independently carry out their work, and play important roles in state affairs and social life. Only when they enjoy the trust of the broad masses of workers, and only when the workers really feel they can represent their interests, can the trade unions successfully attract, unite, and mobilize the broad masses of workers to fight conscientiously for the realization of the fundamental interests of the working class and the people throughout the country, that is, building China into a prosperous, democratic, and civilized modern socialist country.

A trade union organization that really enjoys the trust of the broad masses of workers is a strong link between the party and the masses of the working class, a close cooperative element and powerful backing of the government, and the most important social political force to ensure our economic development and social stability.

Trade union reform is a pressing task. This is because the current work of trade unions does not suit the demands of the deepening economic and political structural reforms and the expectations and demands of the broad masses of workers on trade unions. In the trade unions, there is a strong flavor of "being operated by official bodies" and an obvious trend of running the organizations in the way government organizations are run. There are many complicated reasons for these phenomena. We should say that the great majority of cadres and activists of our trade unions are working very hard to serve the workers. They are willing to bear hardships without complaint and to speak and do things for the workers. They have done many things for the masses and

are highly appreciated and respected by them. Especially, in recent years, with the deepening of reforms, the trade union organizations at all levels and large numbers of trade union cadres have made quite a few explorations in reform and have achieved a great progress. Nonetheless, the broad masses of workers still have not really regarded our trade unions as the organizations representing their interests. There are the following three main reasons for this: 1) Due to the long-term influence of the "leftist" ideological guidance, the uniformity of the socialist interests was one-sidedly emphasized to the neglect of the contradictions between various concrete interests under socialism. When the trade unions tried to express and maintain the interests of the workers, they were wrongly criticized as committing political mistakes, such as "economism," and "syndicalism." This often happened in the past history of trade unions. Since the 3d Plenary Session of the 11th CPC Central Committee, the party Central Committee has clearly pointed out that Chinese trade unions have never committed the mistakes of "economism" and "syndicalism," repeatedly demanding that the trade unions should fight for the democratic rights of the workers and protect their democratic rights and material interests while protecting the interests of the state and to speak and do things for the workers. However, the "leftist" ideology of merely stressing uniformity to the neglect of the contradictions between various interests has still not been eliminated both inside and outside the trade unions. Many trade union cadres still have not been freed from doubts and misgivings, and they are holding different views on this question. Some kind-hearted comrades have often reminded trade union cadres not to commit the mistakes of "economism" and "syndicalism" again. 2) The highly centralized political structure characterized by "unified leadership" has actually turned the trade union into a work department of the party or even a subsidiary organization of the government and administration. It is thus very difficult for the trade union to carry out its own activities independently as a mass organization of the working class. Since the 13th CPC National Congress, as a result of separating party from government and separating government from enterprise, things have been gradually improved in this respect. However, the phenomena such as requiring the trade union to obey the orders of plant director and reorganizing or dismissing trade unions at the will of the party and government have still appeared now and again. This shows that the relationship between the trade union and the party and government has to be further clarified. 3) In practice, since our trade unions have been working for a long time under the historical condition of emphasizing "uniformity" and "unified leadership," there is the trend of running the trade unions in the way government organizations are run, and there is still quite a big gap between the ideological concepts, organizational structure, and work methods of trade unions and the demands of making the trade unions real and highly democratic mass organizations. For example, more attention has been paid to implementing the calls from above than to protecting and reporting the opinions from below; we

have held ourselves more responsible to the higher authorities than to the people; we have set many demands on grass-roots trade union organizations but have not given them necessary guidance; we have carried out more activities in accordance with the requirements of the higher authorities, the party, and the government than in accordance with the demands of the masses; we have relied more on the professional cadres than on the members in running trade unions; and the systems of democratic election, democratic life, and democratic supervision in the trade unions are still imperfect and insufficient and lack the guarantee by relevant regulations. We should say that the influence of the "leftist" guiding ideology which emphasizes "uniformity" and the highly centralized "unified leadership" system in the political structure form a major social cause for the separation of trade union and the masses, and the trend of running trade union organizations in the way government organizations are run is an important internal cause for this separation. We must analyze the causes for this situation realistically and in an all-round way and must realize both the importance of changing our social conditions in reform of the political structure and the urgency of trade union reform. The continuous deepening of the economic and political structural reforms has not only put forth pressing demands on trade union reform but has also provided it with unprecedentedly favorable conditions and environment. We must seize this opportune moment and make up our minds to do a good job in trade union reform so that our work can become more attractive to the broad masses of workers and so that the trade unions, which are the most important social and political organizations, can play a more active and effective role in reform and construction.

In Trade Union Reform It Is Necessary to Take Economic Construction as the Center and Integrate the Development of Social Productive Forces with the Protection of the Workers' Interests [subhead]

Whether we can do a good job in trade union reform depends a great deal on whether we can correctly understand and handle the relationship between the development of social productive forces and the protection of the workers' interests. The 13th CPC National Congress clearly pointed out once again that the principal contradiction in the initial stage of socialism is the contradiction between the people's increasing material and cultural needs and the backward social production. In order to solve this contradiction, it is necessary to vigorously develop the commodity economy, increase labor productivity, gradually realize the four modernizations, and carry out reform of the sectors of the production relations and the superstructure that cannot suit the development of productive forces. In other words, it is necessary to carry out in depth reform of the economic structure and reform of the political structure and mobilize the initiative of various sectors so as to fight together for accelerating the pace of our socialist modernization. The 13th CPC National Congress made an analysis of the economic and social root causes for the gradual

diversification of social interests in the initial stage of socialism and required the trade unions and various other social groups to carry out their work independently and in light of their specific characteristics and to express and protect the concrete interests of the masses they are representing while protecting the overall interests of the people of the whole country. It thus pointed out an orientation for us, that is, in trade union reform, it is necessary to take economic construction as the center and integrate the development of productive forces with the protection of the concrete interests of the masses of workers. The historical experiences of the trade unions since the founding of the state have also proved this. Whenever and wherever the two things were well integrated, the work of trade unions was developed relatively smoothly, greater achievements were made, and the influence of trade unions among the masses and in the social life of our country was strengthened. On the contrary, under the influence of the "leftist" ideology, the concrete interests of the workers were neglected and the trade unions were not only divorced from the masses but also were unable to play their due roles in the state affairs. Sometimes they were even regarded as dispensable organizations.

Essentially speaking, when we say we must take economic construction as the center and integrate the development of social productive forces with the protection of the concrete interests of workers, we have taken into consideration the relationship between the overall interests of the people of the whole country and the concrete interests of the masses of workers, the relationship between the interests of the state, the interests of the enterprises, and the interests of individual workers, the relationship between the fundamental and long-term interests of the working class and their immediate and vital interests, the relationship between the development of production and the improvement of livelihood, and the relationship between various interest groups of the masses of workers. Therefore, in order to take economic construction as the center, the trade unions must really do a good job of integrating the development of social productive forces with protection of the workers' interests. Since both of them are decided by the nature of socialist trade unions and reflect the interests of the masses of workers as well as their demands on and expectations of the trade unions, and since they are all aimed at mobilizing the initiative of the workers to the greatest extent possible, they are certainly important social functions of the trade unions. Of course, apart from the functions of encouraging the workers to participate in economic construction and protecting the interests of the masses of workers, the trade unions should also perform the functions of representing and organizing the workers to participate in the management of state and social affairs and the democratic management of the grass-roots units of enterprises and institutions and the functions of improving the quality of the workers and building up a contingent of workers with high ideals, moral integrity, a good general education, and a sense of discipline. They are all important social functions of the

trade unions in our socialist country. In view of the fact that the trade union's function of protecting the interests of the workers is comparatively weak at present due to the long-term "leftist" influence and the task of harmonizing the interests of various social groups will become heavier and heavier with each passing day in the course of deepening both economic and political structural reforms, it is necessary to emphasize the work of strengthening the trade union's function of protecting the workers' interests. However, this does not mean that the other important social functions of trade unions can be neglected, weakened, or even abandoned.

Developing the productive forces is the historical mission of the working class and a long-term and fundamental interest of the masses of workers. It is also an immediate interest of the workers for improving their lives. The trade union is not an ordinary social group but a mass organization of the working class who represents advanced social productive forces. Therefore, developing the productive forces is not only the common central task for the whole party and whole nation, but also an important function of the trade union organization, which is determined by the nature of trade unions. We must not think that developing the productive forces is a common task of the whole party and the main task of the trade union is to mobilize the workers' initiative through protecting their interests in order to serve that central task. This is an incomplete understanding, which is harmful to correctly giving play to the roles of the trade union. Just as was pointed out by Lenin: "In this greatest revolution in history, when the proletariat has taken state power into its own hands, all the functions of the trade unions are undergoing a profound change. The trade unions are becoming the chief builders of the new society, for only the millions can build this society." ("Collected Works of Lenin," Vol 28, p 404) Our past mistake is not that we showed concern for the overall situation of economic construction or made efforts to mobilize and organize the masses to speed up the development of productive forces, but that we did not really integrate these efforts with the protection of the workers' interests and did not speak and act for the workers. As a result, the trade union became an organization merely to call on the masses and could not really represent the workers' interests. This should be corrected. At present, we must strengthen the trade union's function of protecting the workers' interests, but we must never neglect the unity of the overall interests of the people throughout the country and other important functions and roles of the trade union in the development of productive forces.

The party is the vanguard of the working class. The government is the people's government. They certainly represent the interests of the working class. However, the main task of the party and the state is to put forth tasks, work out policies, and harmonize the interests of various quarters, and the main duty of the trade union is to express the voices, suggestions, and demands of the masses of workers and protect their legitimate rights and interests. Clashes and contradictions between enterprise

and institution administration and the masses of workers are almost unavoidable. They may occur very often. Thus, it is necessary for the trade unions to correctly participate in the handling of such affairs in accordance with the principle of taking into consideration the interests of the state, the collective, and the individual in order to represent the concrete interests of the workers. This objective reality within the socialist society requires that the trade unions conscientiously perform their function of protecting the workers' interests and actively reflect their opinions so that various social contradictions can be mitigated and our policy decisions can be improved and so that the initiative of various quarters can be further mobilized to enliven the enterprises and do a good job in various socialist undertakings. When emphasizing that the trade unions should be the main builders of the new society, Lenin also repeatedly emphasized that the trade unions are indispensable for protecting the material interests and spiritual interests of the proletariat as a whole. He said: "Now the situation of our country is like this: The organized proletariat should protect itself and we should also make use of these workers' organizations to protect the workers from being violated by their own country and to protect our country. To this end, we must adopt a special method, that is, to suit the measures of our country to our consultation and 'integration' with the trade unions." ("Collected Works of Lenin," Vol 40, pp 204-205) These important expositions of Lenin are still of practical guiding significance today. We must not neglect the effort to make use of the trade unions to express and protect the workers' interests on an excuse that the party and the state are representing their interests. Our task is to correctly "integrate" the two.

The Best Way to Integrate the Development of Social Productive Forces With Protection of the Workers' Interests Is To Continuously Deepen Reforms, Especially the Enterprise Reform [subhead]

In the final analysis, the question is still the unity of development of the social productive forces and protection of the workers' interests. What we should do is to make great efforts to find a way to integrate the two. Judging from the current situation, the best way is to continuously deepen our reforms of the economic and political structures, especially the enterprise reform. In the past, under the rigid economic structure, the workers' interests were separated from the interests of the state and enterprises. It was very difficult to make the workers really understand the uniformity of the state's interests and their interests. Now the further deepening of economic structural reform is bringing about a rapid change in this situation. The central link of economic structural reform is to invigorate enterprises, especially the large and medium enterprises owned by the whole people. It is necessary to separate ownership from operation through implementing the contracted management responsibility system so that the interests of the workers can be closely linked to the interests of enterprises and so that the masses of workers can realize that they are working for

their own interests rather than merely working for the state and society. A well-run enterprise will achieve greater economic returns and will thus make greater contributions to the state, add momentum to itself, and improve its own material conditions. In this sense, the development of economy and running enterprises well are no longer exclusive businesses of the state and the plant directors, but are, first of all, important matters of the masses of workers, which concern their long-term and immediate interests. From this we can see that the best way to integrate the development of productive forces with protecting the workers' interests is to strengthen the workers' sense of responsibility and exercise their rights as the masters of their own houses so that they can make continuous efforts to deepen enterprise reform, endeavor to change the contract by plant directors to the contract by all the workers, and change the risks born by the plant directors to the risks shared by all and so that they can share their common benefits and turn the responsibility, power, and benefits of the plant directors into the will of all the workers. The trade unions will certainly have a lot of things to do in this respect. Their tasks are very heavy.

We must resolutely implement the "law on industrial enterprises owned by the whole people" and endeavor to unify the power of managers with the workers' position of being the masters of their own affairs. The democratic rights of the masses of workers in enterprise management should be effectively guaranteed by various systems, and their labor achievements should be closely linked to their income. It is also necessary to legalize and systematize the rights and duties of both the managers and workers through collective contract and other forms. Thus, the integration of the two will be entirely understandable and can be realized. The practical experiences of many grass-roots trade unions have fully proved that provided we conscientiously and continuously deepen enterprise reform and overall reform and make positive efforts to harmonize the interests of the state, the enterprises, and the workers so as to ensure the smooth progress of various reforms, we will surely find more sources of vitality for enterprises and enjoy the people's support. Of course, there are still some other ways to achieve the unity of development of the productive forces and protection of the workers' interests. Whether our trade unions can carry out their work correctly and achieve great successes largely depends on whether they can find the ways to promote this unity and solve or mitigate various contradictions and clashes that emerge in the course of reform and whether they can fully mobilize and give play to the initiative of the masses of workers in building socialism and tap more sources of vitality for the enterprises.

Improve and Strengthen the Party's Political Leadership Over Trade Unions, Ensure the Trade Unions Carry Out Their Work Independently, and Realize Democratization and Broad Mass Participation in Trade Unions [subhead]

In trade union reform, it is also necessary to adopt feasible methods and measures to improve the organizational structure and activities of trade unions. We must gradually improve the trade union's relations with the party and the government in accordance with the spirit of the 13th CPC National Congress, especially the principles for reform of the political structure. We must improve and strengthen the party's political leadership over the trade unions and ensure they work independently. We must promote cooperation and dialogues between the trade unions and the government (administration) on an equal basis and gradually make it a system that is guaranteed by state laws. We must also make greater efforts to reform the organizational system of the trade unions, change their forms of activity, overcome the trend of bureaucratism and running the trade unions in the way government organizations are run, and realize democratization and broad mass participation in trade unions so that the emphasis of our work can be laid on invigorating grass-roots trade unions and we can enjoy the trust of the masses, especially the masses of workers at the grass-roots level. The trade union cadres should actively and enthusiastically participate in this profound and pressing trade union reform and enhance their sense of responsibility. Otherwise, it will be difficult for us to make even a step forward in promoting democratization and realizing broad mass participation in the trade unions even if our social conditions are very good.

The 11th trade union national congress will be held in October this year. It will be a congress of reform. The broad masses of cadres and workers of the trade unions have placed great hopes on this congress and are enthusiastically exploring ways for and studying various problems concerning trade union reform in order to make the congress a success. Under the guidance of the spirit of the 13th CPC National Congress and through the great practice of deepening reforms and the efforts of the broad masses of cadres and workers of the trade unions, who have concerned themselves with the work of trade unions, we are sure that the congress will certainly be a success. It will certainly be a congress to unite the broad masses of workers to carry out reforms for the prosperity of our country and the rejuvenation of our nation and a congress of trade union reform.

Advances in Earthquake Predictions Noted
HK1105081688 Beijing CHINA DAILY in English
11 May 88 p 1

[By staff reporter Li Chao]

[Text] China is becoming advanced in earthquake prediction and damage protection, says Chen Yong, Deputy Director of the State Seismological Bureau.

There are now 970 professional seismological stations and observation posts scattered across the country. Of these, 379 are run by local governments and enterprises, Chen said at an international symposium on earthquake damage protection.

As an example he cited the warnings before the Haicheng earthquake in Liaoning Province in 1975, which may have saved 100,000 lives.

China has 3.12 million square kilometres of seismically active territory. Since the Tangshan earthquake in 1976 which killed 240,000 people and devastated the city, the government has paid far more attention to prediction of earthquakes and protection against damage from them, Chen said. Between 1977 and 1987, more than 3 billion yuan was spent on strengthening buildings throughout the country. Administrative and technical plans for earthquake resistance were formulated.

Chen said earthquake prediction is an extremely complicated scientific discipline, recalling the failure to predict the Tangshan earthquake.

"This indicates we are still basically under an empirical stage of earthquake prediction."

"We predict that the next high point in China will be after 1990," he said.

The 10 years leading up to 1976 were a time of powerful movements of the earth's crust in China. But these abated and the country enjoyed a quiet decade until a powerful quake struck the northwest region of Xinjiang in 1985.

381 Cities Registered By End 1987
OW0805113788 Beijing XINHUA in English
1131 GMT 7 MAY 88

[Text] Beijing, May 7 (XINHUA) — Nearly a quarter of China's mainland population now live in cities, figures released by the public security [as received] show.

By the end of 1987 there were 381 cities. During the year 32 counties in 12 provinces were upgraded to city status and four cities were downgraded.

The urban population totalled 262 million, 0.1 percent more than in 1986. It accounted for 24.5 percent of the country's total.

Shandong and Hubei Provinces had the most cities, with 25 each. Hunan Province was next with 24.

There were 25 cities with a population over one million and eight with more than two million.

East Region

Fujian Reaps Bumper Spring Grain Harvest
HK1005150588 Beijing ZHONGGUO XINWEN SHE
in Chinese 1334 GMT 9 May 88

[Text] Fuzhou, 9 May (ZHONGGUO XINWEN SHE)—Fujian reaped a bumper harvest of spring grain this year. According to figures provided by the provincial agricultural department recently, the province has already gathered in more than 1.6 million mu of barley and wheat, 80 percent of the total sowing area. The average per-mu yield reached 142 kg, 7 kg higher than the same period last year.

It is predicted that the total output of spring grain will increase by about 18 million kg this year, of which barley and wheat will increase by more than 14 million kg.

Since spring this year Fujian has been afflicted by various natural calamities including a cold wave, hailstones, and overcast and rainy weather. To date more than 7.6 million mu of early rice has been transplanted in the province. This is 970,000 mu less than the same period last year. There is reason for people to worry about the summer grain harvest.

Real Estate Firm Wins Land Use Bid in Fujian
OW1005145488 Beijing XINHUA in English
0548 GMT 10 May 88

[Text] Fuzhou, May 10 (XINHUA)—The Taijiang Real Estate Development Corporation beat out 24 competitors yesterday in public bidding to use a 3,080 square meter piece of land here in the capital of southeast China's Fujian Province.

The corporation paid 4.58 Million yuan for a 50-year lease on the property.

The people's government of Fuzhou also announced that another property, 2,873 square meters in area, will be put up for auction and the winner will be allowed to take out a 90-year lease.

Fuzhou is one of the localities in China carrying out land use reform.

Shandong's Laizhou City To Open Up to World
OW1005191588 Beijing XINHUA in English
1436 GMT 9 May 88

[Text] Beijing, May 9 (XINHUA)—Investors are welcome to open factories in the newly designated City of Laizhou—originally Yexian County in Shandong Province.

The city plans to attract foreign investment in export-oriented production, processing, and assembling enterprises, said Mayor Yang Qingwen at a press conference here today.

It also plans to expand its compensation trade with overseas clients Yang said.

Laizhou is on the Shandong Peninsula, which is one of the best developed regions in China.

It tops the nation in gold reserves and ranks second in magnesite reserves, and its prawn, crab, straw-weaving articles, and embroidery works are sold to 120 countries and territories.

Shanghai's Jiang on Cadres Running Enterprises
HK1005060588 Beijing RENMIN RIBAO
in Chinese 2 May 88 p 4

[Report by Xiao Guangren (5618 7070 2704): "At a Shanghai Municipal People's Congress Session, Jiang Zemin Says That Party and Government Organs and Cadres Are Not Allowed To Seek Personal Gain or Engage in Business"]

[Text] At the First Session of the Ninth Shanghai Municipal People's Congress on 29 April, Jiang Zemin, secretary of the Shanghai Municipal CPC Committee, made a speech on increasing revenues and reducing expenditures in party and government organs. In his speech, he stressed the following points: 1) Party and government organs as well as cadres are not allowed to abuse their powers for personal gain. 2) Party and government organs are not allowed to run business undertakings or enterprises; cadres of party and government organs are not allowed to assume concurrent posts in enterprises, unless otherwise approved by the municipal party committee or government. 3) Personnel from party and government organs who run tertiary industries must separate themselves from their organs, and these tertiary industrial enterprises must carry out independent accounting and assume sole responsibility for their losses or profits. 4) Party and government organs are not allowed to collect charges at will for the jobs performed within their responsibilities. 5) Beyond the scope of bonuses allowed by the state, party and government organs are allowed to appropriately increase the income of their cadres, provided there is a rise in their revenues and a drop in their expenditures, but the increase should not be provided indiscriminately.

Jiang Zemin pointed out the need to soberly understand the importance of being honest and upright in one's administration, as this involves the question of whether the country will succeed in its effort to realize the four modernizations. Of course, we should not close our eyes to the fact that the income of cadres is a little low; nor should we say that we are unable to resolve this problem. The life of a cadre is comparatively hard. In the long run, it can be improved gradually by developing the economy and increasing financial resources. For now, party and government organs can carry out the activity of increasing revenues and reducing expenditures. On the one hand, they can improve and perfect their administrative "budgetary methods" and retain the amount of money

saved from their spending; on the other hand, they can accumulate rational income within the framework of regulations set by state industrial and commercial administrative departments, but on no account should they deal in wholesale commercial undertakings.

Jiang Zemin urged cadres of party and government organs throughout the city to be the "first to show concern and the last to enjoy themselves;" to make great efforts to run the country well; and to push forward reforms, the work of opening up to the world, and all other undertakings.

Shandong Relays Zhao Ziyang Speech Guidelines
SK1005062588 Jinan Shandong Provincial Service
in Mandarin 2200 GMT 9 May 88

[Text] On 9 May, the provincial party committee and government held meetings to relay the guidelines of the important speech made by Zhao Ziyang, general secretary of the CPC Central Committee, during his inspection tour of Shandong Province.

The meetings stressed: Motivated by the important speech of Comrade Zhao Ziyang, we should further promote various items of work to do an even better job and score even greater achievements in the entire economic construction and various other items of work. Comrades Lu Maozeng and Ma Shizhong relayed the guidelines of Comrade Zhao Ziyang's important speech. The guidelines mainly included the implementation of the strategy for developing coastal areas, pricing, financial structure, financial revenues, party style, town and township enterprises, circulation, consumption funds, housing reform, agriculture, and the strengthening of ideological and political work among enterprises.

During his inspection tour of Shandong, Comrade Zhao Ziyang pointed out: Shandong is full of promise. If Shandong achieves success in its work, it will probably develop at a speed faster than that of Zhujiang and Changjiang Deltas. Participants of these two meetings were all greatly inspired by his remarks.

On how to implement the guidelines of Zhao Ziyang's important speech, Governor Jiang Chunyun said at the second plenary session of the provincial government: We should catch sight of our great determination, rapid actions, and remarkable achievements; but should not overestimate them. We should not lose sight of our shortcomings and problems. He stressed: At the next stage, we should concentrate our efforts on practical work in order to yield practical results. All levels of departments should strive to do more good and tangible things in the fields of changing functions, macroeconomic regulation and control, organization, coordination, and rendering service to production of grass roots units; and should solve effectively and quickly a number of problems crying for urgent solution.

At a cadres' meeting held by the provincial party committee, Comrade Gao Zhangli pointed out: All units should spend time on studying Comrade Zhao Ziyang's speech. In studying his speech, we should understand clearly the basic guidelines and demands of the speech. For those issues which have been defined already, we should formulate measures to implement them. For those issues which need conscientious exploration, we should organize forces to conduct study to set forth programs as early as possible. At the same time, we should set forth specific measures in line with the practical ideological situation of our units to further improve our work level and political expertise and to promote the smooth progress of our province's reform and opening up.

Shanghai Cancels Scheduled Beauty Pageant
HK1005095688 Hong Kong AFP in English 0923 GMT
10 May 88

[Text] Beijing, May 10 (AFP)—Shanghai's first beauty contest in more than 40 years has been cancelled amidst controversy about its merits, a spokesman for the organizers said Tuesday.

"This was to have been the first beauty contest in Shanghai (under communist rule) and it has provoked reactions in different parts of Shanghai society. There have been differing views," said Cheng Shuqin of the Shanghai Women's Association.

"Some people were worried. They thought we would only pay attention to physical beauty, when in fact we also wanted to let the women express the scope of their knowledge and talents," she said in a telephone interview.

The decision to hold a beauty pageant in China's biggest city was made public last month, following what newspapers called "long discussions" among officials.

Beijing began screening contestants for its own beauty contest last month and the finals, televised live, are expected to take place next month.

Mrs Cheng said more than 1,600 young women had put their names down for the ill-fated pageant, which was due to stage its finals in July or August.

Shanghai's last beauty contest was in 1947, two years before the communists came to power in China. The winner then was Daisy Wang and proceeds from the event went to help flood victims.

Shanghai became a bastion of puritanical leftists during and after the Cultural Revolution (1966-1976), observers said.

Following the example of Beijing and Shanghai, several other cities have announced plans to hold beauty contests.

Last month, Taiwan held its first beauty pageant in more than 20 years. Like Mainland China, such events had been prohibited on the Nationalist-ruled island which regarded them as frivolous but times have changed and Taiwan is currently hosting the Miss Universe contest.

Central-South Region

New Guangzhou Foreign Investment Office Opens
HK1005054188 Beijing RENMIN RIBAO in Chinese
2 May 88 p 1

[Dispatch by reporter Liang Zhaoming (2733 0340 2494): "Guangzhou Establishes Foreign Investment Management Office"]

[Text] The Guangzhou Investment Management and Service Center for Foreign Investors is open. This news was announced in a news conference convened in the city government office on the morning of 30 April.

The Guangzhou Investment Management and Service Center for Foreign Investors will combine government administrative management functions organically with social service functions, so that more perfect conditions can be provided for foreign investors.

This center is managed directly by the leading group for Guangzhou's external economic work. The existing "foreign economic chain" is a part of this center. It adopts the policy of "having one office to deal with external economic affairs, approve projects, and provide comprehensive services," and it will introduce positively to foreign investors China's policy of opening up to the outside, related laws and regulations, and the details of implementing these laws and regulations in Guangzhou. It will answer foreign investors' inquiries on investment matters; handle foreign investors' complaints and solve dubious and difficult matters; and provide comprehensive services for and protect the legal interests of foreign investors.

New Guangzhou Secretary Named in Guangdong
HK1005125688 Beijing ZHONGGUO XINWEN SHE
in Chinese 1203 GMT 10 May 88

[Report: "Zhu Senlin Appointed Guangzhou City CPC Committee Secretary"]

[Text] Guangzhou, 10 May (ZHONGGUO XINWEN SHE)—The Guangdong Provincial CPC Committee has decided to appoint Zhu Senlin to be secretary of the Guangzhou City CPC Committee. At the same time, Xie Fei was relieved of this position.

Zhu Senlin is the incumbent mayor of Guangzhou. He has worked in the city for a number of decades.

After being appointed to the city's party leading position, Zhu Senlin indicated that he would rely on the resourcefulness of the leading collective because a person's ability, experience, and energy are limited, and only by combining his own efforts with the collective resourcefulness can he play a greater role.

Foreign Firms Bid for Land Use in Shenzhen
OW1005152288 Beijing XINHUA in English
0600 GMT 10 May 88

[Text] Shenzhen, May 10 (XINHUA)—Ten overseas firms have bid for land use rights here since local bid announcements were issued on April 24.

The firms include seven from Hong Kong, two from Japan and one from Singapore, a local official said.

The first land use auction was held last December 1 but only units with legal status in Shenzhen, including foreign-invested enterprises, could participate.

Now for the first time enterprises from outside Shenzhen can join in. They include compatriots from Hong Kong, Macao and Taiwan, foreign economic organizations, and individuals.

Two pieces of land will be offered for 50-year leases in an auction on May 25.

One, 4,691 square meters in area, will be used for commercial and administrative buildings, the other, 9,834 square meters in area, for residential buildings.

Hainan Speeds Up Telecommunications Development
HK1105015588 Beijing ZHONGGUO XINWEN SHE
in Chinese 0857 GMT 8 May 88

[Text] Haikou, 8 May (ZHONGGUO XINWEN SHE)—Hainan will have 12,000 new automatic telephones this year. Long-distance communication lines are also heading for perfection. As a result, the difficulties in making telephone calls in Hainan will be minimized.

Ji Taizhi, deputy director of Hainan Post and Telecommunications Bureau, said that since the preparations made to establish Hainan Province, businessmen and tourists at home and abroad have come to Hainan one after another, leading to a strain in telecommunications. To meet the pressing need, Haikou imported a 2,000-programmed telephone project from Canada which is expected to be connected in June this year; the 5,000-programmed telephone project imported from Japan last year which is now under construction is expected to be connected by the end of 1988; and the 3,000-programmed telephone project imported by Sanya from Hong Kong can be put into operation in June this year. Consequently, Haikou, and Sanya will have 10,000 new automatic telephones this year, greatly easing the strain in telecommunications.

Ji added that construction of Hainan's long-distance communication lines is proceeding rapidly. The Haikou-Guangzhou 1,800-microwave communication line project and the Haikou-Sanya 960-microwave communication line project have been completed and put into operation. Now Haikou, Sanya, and Tongshan can dial direct to Guangzhou, Beijing, and Hong Kong. In addition, the 300-coaxial underground cable running through the center of Hainan has also been connected. The cable which links with the mainland cable from northern Sanya and through Haikou is 320 km in length. The connection has made it convenient for the Li and Miao nationalities in the Wuzhishan hinterland to maintain contacts with the outside.

Of the 19 cities and counties in Hainan, 13 have automatic telephones. The three counties including Dongfang, Tunchang, and Baisha will have automatic telephones installed this year. The whole island will be connected with automatic telephones in the next year or the year after.

It has been reported that Hainan will invest 200 million yuan in post and telecommunications construction in the next 3 years. Apart from the 25,000- and 10,000-programmed telephone projects respectively in Haikou and Sanya, an optical fiber cable project will be built in the east to connect Qionghai, Wenchang, Qionghai, Wanning, and other Overseas Chinese hometowns.

Ji Taizhi said that Hainan is seeking cooperation with foreign businessmen in developing post and telecommunications. So far the United States, FRG, France, Japan, Sweden, and Canada have sent delegations to Hainan to conduct a survey of post and telecommunications undertakings. Hainan plans to invite tenders from abroad to build the east optical fiber cable project and the 35,000-programmed telephone project in Haikou and Sanya.

Hunan Government Readjusts Administrative Setup
HK1105000188 Changsha Hunan Provincial Service
in Mandarin 2200 GMT 5 May 88

[Excerpt] A plan for readjusting the administrative setup of the provincial people's government has been finalized basically. Through the readjustment, the provincial government, which consisted originally of 41 units, will consist of 39 units.

The above points were mentioned by provincial Vice Governor Chen Bangzhu in his briefing given yesterday morning on behalf of provincial Governor Xiong Qingquan at the fifth plenary meeting held by the second session of the seventh provincial People's Congress Standing Committee.

Through the readjustment, the following seven organs will no longer be listed as component units of the provincial government:
First, the General Office of the provincial government.

Second, the Counselors' Office of the provincial government.

Third, the provincial Department of Metallurgical Industry, which has been reorganized as a corporation.

Fourth, the provincial Second Department of Light Industry, which is scheduled to be turned into a corporation.

Fifth, the provincial Bureau of Building Materials Industry, which is scheduled to be turned into a corporation.

Sixth, the General Office of Science, Technology and Industry for National Defense, which will be temporarily removed from the list of component units of the provincial government for the purpose of further overhauling and consolidating this administrative organization.

Seventh, the provincial Department of Labor and Personnel, which will be abolished.

Through the readjustment, the provincial government will have the following five new component units:

First, the provincial Department of Supervision.

Second, the provincial Land Administration Bureau.

Third, the provincial Personnel Department.

Fourth, the provincial Labor Department.

Fifth, the provincial Department of Textile Industry.

The provincial Bureau of Materials and Equipment will be renamed the provincial Department of Materials and Equipment.

Through the readjustment, the provincial government will have a total of 39 component units.

In accordance with the plan for readjusting the administrative setup, Vice Governor Chen Bangzhu gave an explanation of the draft name list of new appointees of the provincial government which was submitted by Governor Xiong Qingquan to the provincial People's Congress Standing Committee for approval. [passage omitted]

Southwest Region

Guizhou Gives Subsidies for Nonstaple Foods
HK1005153088 Guiyang Guizhou Provincial Service
in Mandarin 2200 GMT 7 May 88

[Excerpts] Yesterday afternoon the provincial people's government gave a news briefing. Vice Governor Zhang Shukui announced a measure adopted by the provincial people's government in the spirit of the circular issued by the State Council on giving subsidies of cash to workers and other employees due to changes in nonstaple food retail prices. The measure will be put into effect in May.

Zhang Shukui said: The subsidy only covers such nonstaple foods as pork, beef, mutton, vegetables of average quality, eggs, and refined sugar. [passage omitted] The

amount of cash subsidized to workers and other employees in the capital of the province should not be over 10 yuan a month, and it should be a bit lower in other cities. [passage omitted]

Yunnan Governor on Province's Main Problems
HK1005075588 Beijing ZHONGGUO XINWEN SHE
in Chinese 0800 GMT 6 May 88

[Report by Na Jiahua (4780 1367 7520): "He Zhiqiang on Three Major Problems of Yunnan"]

[Text] Kunming, 6 May (ZHONGGUO XINWEN SHE)—In his government work report, Governor He Zhiqiang talked about the three major problems of Yunnan.

First, the problem of agriculture. He Zhiqiang said that the agricultural foundation of Yunnan is still rather weak and grain production of this province is especially unstable. None of the grain outputs of the past 3 years has reached the scheduled target, but the population has been increasing at a rate of about 500,000 a year. The investment in the construction of basic agricultural facilities is insufficient, the aging of water conservancy facilities is serious, and the industries to serve agriculture still cannot satisfy the demands. More cultivated land has been used for nonagricultural purposes, resulting in the loss of 800,000 mu of cultivated land in the past 5 years. Moreover, consumption of forestry resources has been higher than the growing of trees for a long time, resulting in the gradual deterioration of the ecological environment and more serious soil erosion and more frequent mud-rock flows. This should arouse great attention of the governments at various levels.

Second, the problem of commodity price. He Zhiqiang said: Retail price index of commodities was increasing at an average rate of 6.5 percent in this province from 1985 to 1987. Since large proportions of grain and live pigs are supplied by other provinces, their prices are affected greatly by the price increases in those provinces. Since some policies are still imperfect and market supervision is ineffective, a small number of lawless persons have seized this opportunity to drive up prices and disturb the market as the control over most commodity prices has been relaxed.

Third, the problem of work style of government organs. He Zhiqiang admitted that some problems do exist in the work style of government organs, such as overelaborate procedures and low efficiency. In some departments, the phenomena such as shifting responsibility onto others and being dilatory in doing things still seriously exist. Some people do not show concern for the work at the grass-roots level and often do their work perfunctorily. A small number of people have even abused their power to seek private gains.

He Zhiqiang said that these problems have still not yet been solved and the provincial government should be held responsible for this.

Yunnan CPPCC Committee Session Closes
HK1105001188 Kunming Yunnan Provincial Service
in Mandarin 1000 GMT 7 May 88

[Text] The First Session of the Sixth Yunnan Provincial CPPCC Committee concluded at the Hall of People's Victory in Kunming on the afternoon of 7 May after completing successfully all items on the agenda.

The meeting called on provincial CPPCC organizations at various levels and their members to work with one heart under the leadership of the Yunnan Provincial CPC Committee to extend democracy in the province, to work hard with their ability and wisdom to rejuvenate China and reunify the motherland, and to make fresh contributions to attaining a high standard of living for the people.

The 10-day meeting listened to and examined a report on work of the fifth provincial CPPCC Standing Committee, elected leading members for the sixth provincial CPPCC Committee, and all meeting participants attended the first session of the seventh provincial People's Congress as observers.

This afternoon the closing ceremony was presided over by (Wang Ming), newly elected Vice Chairman of the Provincial CPPCC. It adopted the political resolution prepared by the First Session of the Sixth Yunnan Provincial CPPCC Committee and a report on examination of motions made by the Motions Examination Committee of the First Session of the Sixth Yunnan Provincial CPPCC Committee. Liu Shusheng, newly elected chairman of the provincial CPPCC, delivered a closing speech. The province's party, government and military responsible comrades attended the closing ceremony and extended their hearty congratulations on the complete success of the session.

North Region

20 Firms Bid For Shanxi Coal Mine Project
OW1005212788 Beijing XINHUA in English
1456 GMT 9 May 88

[Text] Beijing, May 9 (XINHUA)—Purchase of 15 items of coal preparation plant equipment opened to the public in Beijing today.

This is the ninth bidding session for Shanxi Province's Changcun (Luan) coal mining project which is being financed with a World Bank loan of 126 million U.S. dollars.

Today, 20 firms from Eastern Europe, the Federal Republic of Germany, Finland, the United States, Japan, Hong Kong, and China entered bids.

"We are sure of winning at least one item this time," said Zhang Guoxiang, chief engineer of the Zhengzhou Coal Mine Machinery Factory, which is cooperating with the Federal Republic of Germany's and Humboldt Wedag AG in the bidding.

Located in southeast Shanxi Province, the project was designed by the Taiyuan Coal Mine Design and Research Institute, has a designed production capacity of 4 million tons a year; and will start operation in 1990.

Another four bidding sessions are planned for the project's mechanized longwall face equipment, belt conveyor, underground transportation, and safety monitoring systems.

Northeast Region

Standing Committee on Heilongjiang Spring Sowing
SK1005050688 Harbin Heilongjiang Provincial
Service in Mandarin 0900 GMT 9 May 88

[Text] At a Standing Committee meeting held on the afternoon of 9 May, the provincial party committee called on the entire party to take immediate action against low temperatures and spring waterlogging, to race against the farming season, and to ensure spring sowing. This year, our province is confronted with spring waterlogging and low temperatures, conditions that have rarely been seen in several decades. This has seriously damaged spring sowing and production. As a result, the sowing periods for wheat and field crops have been delayed.

The Standing Committee meeting of the provincial party committee pointed out: We should currently pay great attention to spring sowing; overcome both the positive state of being afraid of difficulties and the idea of not sowing crops until conditions are right; concentrate all labor, animal power and farm machinery; and adopt effective measures for quickening the sowing of various kinds of crops. Efforts should be made to ensure that crops are rush-planted on the farmland set to be dried. Meanwhile, the masses of peasants should be mobilized to regulate cooperatively the waterlogged areas and to strive to rush-plant as many crops as possible. Farmland where late-maturing crops cannot be planted should be planted with early maturing crops. Farmland where grain crops cannot be planted should be planted with cash crops, and under no circumstances should farmland be abandoned. It is necessary to sum up and popularize the experience in combating low temperatures and spring waterlogging gained by the masses over the past few years. We should apply such technical methods boldly as corn sprout [words indistinct] and corn seedling growing and transplantation to prevent a drop in production due to delayed sowing periods and an early frost.

The provincial party committee called on various levels of party and government departments to consider spring sowing a current key task. All working arrangements that conflict with spring sowing should be readjusted, and all meetings that are not related to spring sowing must not be convened. The provincial-level departments and bureaus should pay attention to spring sowing, just as they have grasped the work of supporting the poor. Office cadres of provincial-level organs should work in the spirit of rushing to help in an emergency and rescuing disaster-stricken people to help rural areas solve the difficulties of spring sowing. Scientific professionals and technicians on the agricultural front should go to the frontline of spring sowing to pass on cultivation techniques, because only 12 days remain before the 8th solar term. Time is grain. The provincial party committee called on all people of the province to struggle painstakingly for some 10 days in an effort to achieve a success in spring sowing.

Heilongjiang's Farm Product Circulation Policy
SK0905115988 Harbin Heilongjiang Provincial
Service in Mandarin 0900 GMT 8 May 88

[Text] The provincial government has adopted several policies on allowing peasants to enter the circulation sphere. The major content of these policies is as follows:

1. We should protect the legitimate rights of circulation organizations run by peasants. As long as the operational behavior of these organizations is legitimate and appropriate, their ownership of fixed assets and their managerial rights should be considered legitimate. Industrial and commercial administrative departments should allow these organizations to register their names, and other departments concerned should give vigorous support to these organizations.
2. We should further relax control over the sale of agricultural and sideline products. All decontrolled agricultural and sideline products can be sold on the market at floating prices through diverse channels.
3. We should develop integration among rural areas.
4. We should relax control over tax policies. When paying taxes, peasant-run circulation organizations can enjoy preferential treatment to town and township enterprises. Cold storage and warehouses built jointly by peasants should be subject to independent accounting; and peasants can enjoy exemptions of collective income tax for 2 to 3 years from the day these cold storage and warehouses are put into operation. On the profits earned from items operated by peasants in cooperation with state commercial departments, foreign trade departments, and specialized plants, the taxes can be paid after profits are shared.
5. We should relax control over banking policies. Agricultural banks and credit cooperatives should involve peasant-run circulation organizations in the scope of

their business. The funds needed by such organizations at the village level should be supplied by agricultural banks in the form of agricultural loans; and the funds needed by such organizations at or above the town or township level should be arranged by banks in the form of commercial loans. Meanwhile, the proportion of funds owned privately by these organizations should be lowered appropriately; and the profit-yielding rate of loans can be fixed on favorable terms. We should support rural cooperative foundations to develop various kinds of money circulation businesses.

6. We should readjust pricing policies. Decontrolled agricultural and sideline products can be sold on the market at floating prices. For agricultural and sideline products that are different in quality, price differences should be allowed, with high prices for high-quality products and low prices for poor-quality products. At the same time, we should permit the existence of price parity between wholesale and retail sales, between purchasing and marketing, between different seasons, and between different regions.

7. We should establish a marketing system for agricultural products.

8. We should reduce restrictions on industrial and commercial administration policies and strengthen comprehensive administration over markets. As for peasants engaging in commerce, the formalities of conducting registration, examination, approval, and issuing business licences should be simplified and restrictions in this regard should be loosened appropriately. The period for undergoing examination and obtaining approval should not exceed 10 days. When industrial and commercial, tax, auditing, urban construction, epidemic prevention, and communications departments collect fees from peasants who engage in commerce and from peasant-run circulation organizations, they must abide strictly by relevant regulations of the state and by Heilongjiang Provincial regulations on collecting fees, imposing fines, and confiscation.

9. We should relax control over policies on transport management. In carrying goods, railway departments should give the same treatment to peasant-run circulation organizations as state-run enterprises. Peasants should be supported to engage in passenger and cargo transportation on a business basis. The petroleum needed by peasants that engage in the transport trade should be supplied by petroleum companies on a priority basis, and the prices should be the same as those to state-run enterprises.

Fire Prevention Work Proceeds in Heilongjiang
OW0905010988 Beijing XINHUA Domestic Service
in Chinese 0605 GMT 6 May 88

[“Note on a news-gathering trip: A New Style of Seeking Truth—Written on Daxinganling’s ‘Introspection Day for Fire Prevention’ by XINHUA Reporter Xu Jiangshan]

[Text] Harbin, 7 May (XINHUA)—The people of Daxinganling have made 6 May their “Introspection Day for Fire Prevention.” What did the cadres and masses of this forest area conclude when recalling their painful experience?

In the spring fire-prevention curfew period, I went to this forest area to gather news and was pleased to note that a new style prevails there—the style of being practical and seeking truth.

In the past, prefectural and county (bureau) leaders used to draw circles on documents dealing with fire prevention just to show that they had read the documents, or they would make some long-distance telephone calls or issue some circulars without any further action. Now, the prefectural leaders have taken up fire-prevention work personally, each assuming responsibility for a locality. Moreover, prefectural, county (bureau), and forest farm leaders have signed affidavits to undertake responsibilities at their respective levels, and whoever causes a problem will be held responsible. As I observed on my visits to the prefectural fire-prevention office, the Songling Forestry Bureau, and the Guli Mechanized Forest Farm, all on-duty leaders, no matter which level, are actually present at the work posts, ready to deal with problems immediately after they are discovered.

I went deep into the forest area with Wang Hanzhong, director of the Daxinganling Forestry Administration, who was going there to inspect the fire prevention measures. He not only inspected the firefighters’ dormitory, mess hall, and fire-fighting gear, but also insisted that they should be trained in practical fire fighting.

“How is the radio station?” asked Wang Hanzhong. He wanted a test to be made so that he could see for himself if it operated well.

The radio operator tried to crank the dynamo several times. With embarrassment, he said: “The battery has run down.”

At this moment, it was time for lunch. Someone suggested to Wang Hanzhong that the test be put off until after lunch, but he did not accept this suggestion. He stayed at the radio station until the radio operator replaced the battery and succeeded in making a call to another station. Not until then did he feel relieved and leave the radio station.

The down-to-earth workstyle has resulted in a noteworthy improvement of work efficiency. This year’s appropriation for fire-prevention expense for this forest area totals 70 million yuan, or 7 times as much as that for 1986. Highways that can be used as firebreaks, totalling 236 kilometers, have thus far been built. Other projects which have been completed are 73 fire watch towers and 45 helicopter landing sites. Now the number of firefighters has exceeded 4,700. Indeed, the facilities to prevent and extinguish fire have been improved remarkably.

Wang Hanzhong told me that last year's extraordinary fire made the cadres of this forest area aware that it is extremely detrimental to take a lax work attitude, act perfunctorily, and pursue formalism. Seeking truth and being practical is the basic requirement for our work, he added.

At the present time, the vast numbers of cadres and masses in the Daxinganling Forest Area are well prepared and fully alert against fire. The bloody lesson of the past has taught them that only down-to-earth work can prevent the recurrence of the tragedy.

Jilin Elects Delegates to 5th Party Congress
*SK1105103188 Changchun Jilin Provincial
Service in Mandarin 0930 GMT 10 May 88*

[Excerpts] A total of 513 delegates to the fifth provincial party congress have been elected.

The Seventh Plenary Session of the Fourth Jilin Provincial CPC Committee, which was held on 11 February this year, made a resolution to convene the fifth provincial party congress in May. On 12 February the Jilin Provincial CPC Committee issued a circular on electing delegates to the fifth provincial party congress.

Keeping within the guidelines of the resolution and circular, the 28 electoral units throughout the province spent more than 2 months, from mid-February to late-April, on delegate electoral work. The electoral work has now been accomplished.

The 513 delegates elected, represent more than 1 million party members throughout the province and broader sections of the people. Some 41.5 percent of the delegates are cadres at various levels; 19.9 percent are from the economic, scientific and technological, cultural and educational, sports, and public health fronts; 8.6 are advanced and model figures; 2.9 percent, or 15 delegates, are PLA men and armed policemen; 18.9 percent are women delegates; and 14.2 percent are minority people. Delegates have a higher level of education. Some 67.2 percent of them have a university education or higher. [passage omitted]

The electoral units convened party member conferences, party congresses, and party delegate meetings to elect the delegates by secret ballot and the method of electing from a larger number of candidates. In the course of discussing the electoral work, the electoral units implemented conscientiously the principle of democratic centralism, and [word indistinct].

Thanks to the electoral unit party committees' careful organization and their enhancement of leadership, all discussion and electoral work progressed smoothly. The electoral work had good repercussions. Electoral units actually carried forward inner-party democracy and respected party members' democratic rights in conducting the electoral work. Voters' aspirations have actually

been embodied. The large-scale and thorough discussions have enlivened the democratic air within the party. Thus the electoral work was a practical, specific democratic education.

Jilin Congress Committee Meeting Opens 10 May
*SK1105061988 Changchun Jilin Provincial
Service in Mandarin 2100 GMT 10 May 88*

[Text] The third meeting of the seventh provincial People's Congress Standing Committee opened on the morning of 10 May. During the meeting, Chairman Huo Mingguang first delivered a report on relaying the spirit of the session of the seventh NPC Standing Committee. (Zhong Xiangxi), director of the provincial Land Administration Bureau, delivered a report explaining the draft rules and regulations on land management.

During the meeting, the participating members held a group discussion on the draft rules and regulations of land management. Huo Mingguang presided over yesterday's meeting.

Attending the meeting were the vice chairmen of the provincial People's Congress Standing Committee, including Cheng Shengsan, Yu Ruihuang, Renqin Zhamusu, Xu Yuancun, Chen Zhenkang, and Ke Muyun; Zhang Jiande, secretary general of the provincial People's Congress Standing Committee; and 40 members.

Attending the meeting as observers were Gao Wen, vice governor of the province; Xie Anshan, president of the provincial Higher People's Court; responsible persons from the provincial People's Procuratorate; and responsible comrades from the People's Congress Standing Committees of various cities and autonomous prefectures, the Baicheng prefectural office, and provincial-level departments concerned.

Forest Fire Alert Issued for Northeast Jilin
*OW0505135588 Beijing XINHUA in English
1017 GMT 4 May 88*

[Text] Changchun, May 4 (XINHUA)—A forest fire alert has been issued in the Changbai Mountains in northeast China's Jilin Province as rising temperatures have heightened the fire hazard.

A total of 400,000 people including soldiers are poised to fight fires that break out in the mountains, China's second largest timber producing region.

Fire watchers have manned 300 lookout towers supplemented by three airplanes on patrol, determined to keep the region free of major fires for the eighth straight year.

The Jilin Provincial Government has introduced fire prevention responsibility system in all its forest areas and intensified rules and regulations concerning fire prevention as result of last May's tragic and devastating fire in the Daxinganling Mountains in China's far northern Heilongjiang Province.

It also spent 21.4 million yuan last year equipping fire brigades.

First Private Enterprise Union in Liaoning
OW0505102588 Beijing XINHUA Domestic Service
in Chinese 1437 GMT 26 Apr 88

[By reporter Mou Fengjing and correspondent Liang Tingqiu]

[Text] Shenyang, 26 Apr (XINHUA)—On the morning of 26 April, over 200 workers of the Xigui Transport Company, the largest private enterprise in the city of Shenyang, Liaoning Province, established their own trade union. According to an official of the All-China Federation of Trade Unions, this is China's first trade union set up in a private enterprise.

The Xigui Transport Company in Shenyang City is a company which is run privately by Liu Xigui, 35-year-old peasant. The company has fixed assets and floating capital totalling 5.2 million yuan. Since its founding, this company, which employs 240 workers, has been doing good business. However, due to unavoidable clashes of interest between the owner of the company and the workers, there are some occasions when the owner encroaches upon the legitimate interests of the hired workers and when the workers just demands are not met.

The newly established trade union will protect the legitimate rights and interests of the workers according to law, help solve contradictions between the owner and the workers in the company, and express the workers' views on the enterprise's policy decisions. On the other hand, the trade union will whip up workers' enthusiasm and develop production by promoting democratic management and launching labor emulation drives.

Company owner Liu Xigui said that he supports fully the trade union and would like to turn the trade union into a brain trust for the well-being of the workers. Liu Xigui also revealed that he himself is not a member of the trade union. Neither his family members nor his friends and relatives are cadres of the trade union.

It is reported that another trade union will be set up soon in a private enterprise in Shenyang City—the Shenyang City Longsheng Shoe Factory.

Shenyang Military Region Steps Up Political Reform
OW0605114788 Beijing Domestic Service
in Mandarin 2130 GMT 5 May 88

[By XINHUA reporter (Li Yuezu) and station reporter Wang Qingong]

[Text] Under the guidance of their leading cadres, PLA units in the Shenyang Military Region have increased the effort to study ways of reforming political work. The new situation created by the deepening of reform, opening to the outside world, and vigorous development of socialist commodity economy has posed many new issues which need political work. This calls for an acceleration of its reform.

Leading cadres at various levels in the Shenyang Military Region have taken active steps in this direction. Some organized study groups in their own units to investigate and study key issues related to the reform of political work. Others went down to grass roots units and stayed there to help improve their work and gain firsthand experience for guiding overall work. Still others traveled to noncombat and civilian units to learn from their experience of reform. Song Keda, political commissar of the Shenyang Military Region, went over to a PLA reform-through-labor farm for investigation and research. Drawing from its experience in political work, he has written a fairly important research paper.

Leading cadres at various levels in the region have also overtuned daringly a number of taboos. Since early this year, the region has reformed the system of party committee meetings in all its regional units and published seven-point regulations to curb bureaucratism and change the disorganized conditions at the grass-roots level. It has also reformed the protocol and the reward systems and initiated other new procedures. All this has accelerated the reform of political work.

Northwest Region

Gansu Provincial Meeting on Enterprise Reform
HK1005001588 Lanzhou Gansu Provincial Service
in Mandarin 2300 GMT 4 May 88

[Excerpts] Eighty-seven percent of Gansu province's industrial enterprises under ownership by the whole people and 75 percent of the province's nonindustrial enterprises under ownership by the whole people are implementing the system of factory director's responsibility. [passage omitted]

Presently, due to the existence of various types of contracted management responsibility systems, leasing operations, joint-stock systems, and transfers of enterprise property rights, as well as due to the emergence of large numbers of business consortia, a series of new problems in reform of the enterprise leadership system have been created and must be solved urgently.

To solve these problems correctly, the provincial party committee held a provincial work conference yesterday [May 4] morning at the (Yingwozhuang) Guesthouse in Lanzhou to discuss the task of separating the functions of the party from those of the government within enterprises and the task of deepening reform of the enterprise leadership system. The conference exchanged experiences on progress made in implementing the two tasks over the past few years, particularly since the 13th National Party Congress. They also studied conscientiously problems in the reform that must be solved in order to enable all enterprises to quickly establish and strengthen a new type of (?management) system in which the factory director assumes full responsibility for production, the party committee guarantees to play a supervisory role, and the staff members and workers participate in democratic management. This is aimed at suiting the needs for the development of a commodity economy and modern management.

The conference was presided over by Wang Zhanchang, standing committee member of the provincial party committee.

Lu Kejian, deputy secretary of the provincial party committee, delivered a speech at the conference.

Gansu Governor Notes Rules for Government Work
HK1105000388 Lanzhou Gansu Provincial Service
in Mandarin 2300 GMT 7 May 88

[Text] At the first plenary meeting of the provincial government which was held yesterday [7 May] morning, Governor Jia Zhijie said: The goal of government work is to fulfill completely the seventh 5-year plan. In order to do so, it is necessary to correct the backward condition of the economy as well as the improve the standard of living for the poor, lay a good foundation for complete invigoration in the 1990's, and to create conditions so that people reach the level of living comparatively well-off.

Jia Zhijie noted: In the tenure of this government, in order to achieve a big change in the poor and backward outlook of Gansu, the fundamental work is to rely on further emancipation of the mind and productive forces, [words indistinct], to be bold in and good at lively implementation, relaxation, and formulation of the policies, to develop vigorously the private economy, individual economy, and stock economy, to introduce vigorously foreign investment, to develop the joint ventures and sole proprietorship, and to speed up private development.

He said: A new government must have a new atmosphere. The key lies in having high efficiency and good work style. On behalf of several leaders of the provincial government, I am making several simple rules to be observed by all of you:

1. It is necessary to do more practical work but not get carried away. We must spend at least one-fourth of our time every year deep at the grass roots levels to investigate, study, and resolve personally the problems of reform, opening up and invigoration of the economy.

2. We must struggle hard, be strict with ourselves, and make our government an honest one [words indistinct].

3. We must share wealth and woe with all the people throughout our province, show concern for the sufferings of the masses, do our utmost to do all work carefully and well, and act as honest public servants of the people.

4. It is essential to strengthen the sense of organization and discipline, to implement democratic centralism resolutely, and to ensure that the orders are carried out and what is prohibited is curbed.

In conclusion, Jia Zhijie said: The tasks of the new government are arduous and its duties heavy. We must press forward in the face of difficulties, arouse the creative spirit of all people of our whole province, and let all people of our province give a satisfactory response.

At the meeting, (Zhu Shitai), secretary general of the provincial government, also read the tentative regulations on the work of the Gansu Provincial People's Government. Xu Peiqing, chairman of the Provincial People's Congress Standing Committee; and Ge Shiyong, chairman of the Provincial CPPCC Committee, attended the meeting. Vice Governors Zhang Wule, Yan Haiwang, Liu Shu, Lu Ming [words indistinct].

14 Killed, 11 Injured in Gansu Mine Cave-In
HK1005095288 Hong Kong AFP in English
0908 GMT 10 May 88

[Text] Beijing, May 10 (AFP)—Fourteen people have been killed and 11 injured in a cave-in at an antimony mine in the northern Chinese province of Gansu, said the GANSU LEGAL NEWS, received here Tuesday.

The accident last month was caused by poor maintenance work and by the attitude of officials who put saving money before safety, the newspaper said.

Shaanxi Governor Urges More Funds for Education
OW0805113188 Beijing XINHUA in English
1153 GMT 7 May 88

[Text] Beijing, May 7 (XINHUA)—North China's Shaanxi Province plans to spend 10 million yuan this year improving teaching conditions in its primary and middle schools, the overseas edition of the "PEOPLE'S DAILY" REPORTED TODAY.

The province has more than 40,000 schools offering regular education.

While the education budget has been increased by 10 percent every year since 1983, teaching conditions in primary and middle schools, especially those in rural areas, have remained backward.

The province has received 460,000 yuan from the society to maintain school buildings but, the paper said, there are still more than 1.1 million square meters of township schools that need maintenance.

Governor He Zongbin said the 10 million yuan wasn't enough. More funds will have to be raised by society.

Xinjiang 'Crackdown' on Illegal Gold Mining
OW0905130388 Beijing XINHUA in English
1010 GMT 9 May 88

[Text] Urumqi, May 9 (XINHUA)—A crackdown has been mounted on illegal gold mining in the Xinjiang Uygur Autonomous Region.

The local government has issued a circular barring individuals or groups from exploiting gold in gold production areas unless properly licenced and organized by government departments at or above county level.

The gold must be sold to the state. Nobody is allowed to keep or process it and smuggling is strictly forbidden.

The circular also prohibits railways or public vehicles taking persons without a gold exploitation licence to travel to gold production areas.

Xinjiang is one of China's major gold production areas, where 56 counties produce gold.

The people's government of the region now pursues special policies encourage gold exploitation by local state-run mines and village-run enterprises.

Xinjiang Bringing Some Diseases Under Control
OW0905223288 Beijing XINHUA in English
1220 GMT 9 May 88

[Text] Urumqi, May 9 (XINHUA)—Doctors in Xinjiang Uygur Autonomous Region have brought leprosy and other endemic disease under control, XINHUA learned today.

Leprosy should be basically wiped out by 1995, said regional health officials here today, adding that the incidence of the disease dropped from 0.13 Per thousand in the 1960's to 0.02 Per thousand last year.

Goitre used to be rampant in 80 counties, especially in ten counties round the Tarim basin. Now it has been brought under control in 14 counties.

The officials attributed the success to the setting up of 20 factories producing iodized salt to benefit a total of six million people.

Besides, 360,000 people now benefit from projects built since 1980 to divert clean water to areas where drinking water has a high content of fluorine.

XINHUA Cites Taiwan Reports on Exchanges
OW0805013988 Beijing XINHUA Domestic Service
in Chinese 0218 GMT 7 May 88

[Text] Beijing, 7 May (XINHUA) — According to Taiwan newspaper reports, Taiwan's "Executive Yuan" has completed recently a tentative new policy toward the mainland. The reports indicate that the "Executive Yuan" will gradually ease its control over civilian contacts between Taiwan and the mainland, in light of the actual situation.

It was reported that Taiwan's "Executive Yuan" will hold a policy meeting in the near future to study various issues such as visits to relatives, laws on both sides of the Taiwan Strait, trade and investment, educational, scientific, and cultural exchanges, sports exchanges, and communications (including postal delivery, telecommunications, and air and sea transportation).

It was also reported that the "Executive Yuan" will relax its original principle that postal delivery, telecommunications, transportation, and trade between Taiwan and the mainland must remain indirect, that is, via third areas. If necessary, direct ways may be considered. Based on the new principle, departments concerned in Taiwan are studying the kinds of agricultural and industrial raw materials which may be imported from Mainland China. At present, Taiwan is considering importing mainland cotton and minerals.

According to those reports, "the authorities will make a liberal explanation of the word 'indirect.' In the future, agricultural and industrial raw materials imported from Mainland China can be shipped to Taiwan via a port not controlled by Chinese Communists and bill of landing, loading, and unloading will not be required at that port. The scheduled flights of foreign airline companies can carry passengers from Taiwan to Mainland China with a stop over in a third airport without having to open gates and ask passengers to leave and return to their airplanes."

Taiwanese Register for Mainland Visits
OW0505234488 Beijing XINHUA in English
1147 GMT 5 May 88

[Text] Beijing, May 5 (XINHUA)—Over 144,000 people in Taiwan have registered for visiting their relatives on the mainland since the Taiwan authorities relaxed restrictions on mainland travels.

According to the "National Police Administration of the Ministry of Interior" in Taiwan, 65,000 have departed for the mainland and 79,000 are ready to leave.

The Taiwan authorities are collecting opinions and suggestions from people from all walks of life in Taiwan and will readjust the policy for mainland travels.

Red Cross Helping Reunite Families
OW0705152688 Beijing XINHUA in English
1146 GMT 6 May 88

[Text] Beijing, May 6 (XINHUA) — Red Cross societies have helped 1,100 families in China's mainland and Taiwan become reunited, if only by letter.

According to officials at the Red Cross Society of China, since Taiwan authorities allowed mainland travels six months ago, the society has received 50,000 letters from mainland residents asking for help to find relatives in Taiwan.

So far, 7,200 of the letters have been sent to Taiwan via Hong Kong and 110 of them have received answers with the help of the Taiwan Red Cross and the International Red Cross.

In addition, the Red Cross Society of China has received 3,000 letters from Taiwan via Hong Kong asking to find their relatives on the mainland and 1,000 of these have been resolved, the official said.

The official said that to speed up the work, the society is using computers and has sent disks to the Taiwan Red Cross for reference.

Investment in Special Economic Zones Ensured
HK1005060188 Beijing ZHONGGUO XINWEN SHE
in Chinese 1210 GMT 3 May 88

[Report: "Mainland's Special Economic Zones Guarantee the Interests of Taiwan Investors"]

[Text] Beijing, 3 May (ZHONGGUO XINWEN SHE)—The special economic zones (SEZs) of the mainland extend the hand of welcome to people from industrial and commercial circles in Taiwan. He Chunlin, director of the Special Economic Zones Office of the State Council, promised that a reliable guarantee will be provided for the legitimate interests of Taiwan investors in the special economic zones.

An article by Mr He in issue No 4 of TAISHENG [THE VOICE OF TAIWAN] explains to Taiwan compatriots the policies and development of the special economic zones.

He pointed out in the article that the special economic zones engage in free trading as generally carried out in foreign countries, and the processing of export commodities. These zones are all-embracing, export-oriented economic development zones, he added.

This top official, who is in charge of the special economic zones, said that the state encourages Taiwan industrialists and businessmen to make investments in the SEZs and the rest of the country. As a result of the change in the world economy, the Taiwan currency has

risen against the US dollar and some of the labor-intensive enterprises in Taiwan are developing their businesses abroad. It is very good for them to set up factories in the special economic zones, where the costs of labor are about one sixth of those in Taiwan and the costs of land and taxes are low.

He explained the SEZs' policies toward Taiwan investors as follows:

—They are allowed to run wholly-owned enterprises, joint-ventures, or cooperative enterprises, and to engage in all types of economic and social undertakings.

—They can enjoy the preferential treatment provided for foreign businessmen, and the taxes on their income from their production and operations as well as other undertakings are entitled to 15 percent less than the standard tax rates. A 10 percent local additional tax will be added to the amount of their income tax.

—The state has also provided a series of preferential policies on tax exemption and reduction: Investors engaged in the construction of basic facilities including ports and harbors are exempted from income tax for 5 years from the year they make profits, provided their operational period is 15 years or more; and they are entitled to a 50 percent reduction of income tax for 5 years beginning with the 6th year. Enterprises engaged in industry, communications, and transportation are exempted from income tax for 2 years from the year they make profits, provided their operational period is 10 years or more; they can enjoy a 50 percent reduction of income tax for 3 years beginning with the 3d year; and enterprises engaged in the introduction of advanced foreign technology are entitled to another 3 years for the exemption of income tax. After the period of tax exemption and reduction, enterprises whose annual value of export commodities account for 70 percent or more of their output value are allowed to pay 10 percent less than the standard tax rates. In addition, the governments of the SEZs can extend the period of tax exemption and reduction for Taiwan-funded enterprises.

—The special economic zones will facilitate imports and exports and provide preferential treatment for them. Within the framework of contracts approved, investors are exempted from import customs duties and the commercial and industrial taxes on imported goods when importing machinery, equipment, raw materials, components, parts, transportation instruments, office furniture and equipment, and a rational amount of goods for personal use. With the exception of crude oil, processed oil, and a small number of products in the category clarified by the state, investors are exempted from export customs duties and the industrial and commercial taxes on exported goods. Income from the sales of products to the special economic zones will be taxed 50 percent less than the standard tax rates; investors are required to pay

import customs duties and the industrial and commercial taxes on imported goods when selling their products to the hinterland. Basically, the SEZs are zones where commodities can be conveniently imported and exported.

—The special economic zones will make the entries and exits of Taiwan investors easy. There are entry and exit ports in Shenzhen, Zhuhai, Shantou, Xiamen, and Hainan. With "travel documents for Taiwan compatriots," Taiwan compatriots are allowed to enter the SEZs. The relevant department will issue documents for multiple entries to Taiwan manufacturers, businessmen, and their relatives, so that they can travel the special economic zones conveniently. Taiwan compatriots can apply to the entry ports of Shenzhen, Zhuhai, and Hainan either for short stays or for business discussions, economic and technological exchanges, family visits, and traveling.

—The state provides a full guarantee for the interests of Taiwan investors and will not tax their investments. When in the public interest a tax is to be levied on their investments, they are entitled to rational compensation. Profits and other legitimate income from their investments can be sent out of the special economic zones tax-free. A tax 10 percent less than the standard tax rates will be levied on dividends, interest, rents, and income derived from Taiwan compatriots' investments if the investors do not have offices on the mainland. Investors using their profits or other income for further investments are entitled to a refund of 40 percent of the tax that has been collected from their investments; and investors using their profits or other income for further investments in hi-tech or export enterprises are entitled to a refund of all the tax that has been collected from their investments.

—On foreign exchange management: All of the foreign exchange income of wholly-owned enterprises, joint ventures, or cooperative enterprises obtained from the exports of commodities or from other business operations can be allocated by these enterprises of their own accord; they are allowed to retain the foreign exchange income in cash, without converting it through the bank. Foreign exchange for business operations of these enterprises or foreign exchange for remitting profits and income out of the country will be debited from the enterprises' foreign exchange accounts. Therefore these enterprises are required to maintain a basic balance between foreign exchange receipt and disbursement. There are foreign exchange regulatory centers in the SEZs. These enterprises can sell their foreign exchange surpluses, if any, to banks, or to other enterprises through the foreign exchange regulatory centers; if they are short of foreign exchange facility, they can buy from the foreign exchange regulatory centers. Banking services are good in the special economic zones. Apart from the Bank of China, the industrial and commercial bank, the agricultural bank, and the construction bank, over 20

foreign banks have set up their branches in the SEZs, which provide services including settling trade accounts, exchanging bills, making investments, and providing guarantees.

As Mr He said, after large-scale development and construction, the four SEZs of Shenzhen, Zhuhai, Shantou, and Xiamen now have excellent environments for investment. The lands that have been developed total some 60 square km, 3,500 contracts for foreign investments have been signed, a foreign fund of \$1.86 billion has been absorbed, and about 1,300 enterprises have been put into production and operation.

While relating the present situation in the Xiamen SEZ, which is on the west bank of the strait, He Chunlin said: An international airport and a 50,000-tonnage port have been built in the special economic zone, thereby facilitating transshipments for foreign businessmen. Program

control telephones have been popularized, and direct telephone dialing and telex communications can be carried out with many foreign countries. The zone is busy constructing a large hydropower station and a large thermal power station. A new industrial zone of 2.5 square km has been built on a lake in Xiamen, and there are hundreds of foreign-invested enterprises in this zone. The Xiamen SEZ has bright prospects for development.

Jiangsu Opens More Ports to Taiwan Vessels
OW0905053088 Beijing in Mandarin to Taiwan
0400 GMT 28 Apr 88

[Text] Approved by the Jiangsu provincial people's government, four coastal ports — Lianyungang, (Dayang-gang) in Nantong, Xinyanggang in Yancheng, and (Huangshagang) — have been opened to vessels from Taiwan since the beginning of this year.

1,000 Demonstrators Clash With Police in Taipei
HK1105110488 Hong Kong AFP in English 1046 GMT
 11 May 88

[Text] Taipei, May 11 (AFP)—Veteran soldiers clashed with some 400 riot police here Wednesday during a demonstration by some 1,000 people demanding more government benefits, witnesses said.

Some of the veterans attacked riot police with their crutches and other protesters pelted them with soft drink containers as the police tried to disperse the crowd and prevent them from breaking into the ruling Kuomintang (KMT) headquarters, they said.

The protest occurred during the KMT Central Standing Committee's weekly meeting in the headquarters.

Several police were injured, witnesses said, and 10 people were arrested for instigating violence and attacking police, Deputy Director of Taipei Police Sta. on Wang Hua-tseng said.

"The involvement of certain political groups in the demonstration has led to serious clashes between police and civilians," he added.

Witnesses said retired servicemen, opposition members, and labor movement activists were among those arrested.

Backed by members from the opposition Democratic Progressive Party and a newly formed labor union, the veterans were protesting alleged discrimination by the government and demanding more financial support.

Veteran soldiers also demonstrated outside KMT headquarters a week ago demanding more government benefits. No arrests were reported.

10 Reported Arrested

GW1105083688 Tokyo KYODO in English 0750 GMT
 11 May 88

[Text] Hong Kong, May 11 KYODO — Ten protesters were arrested in Taipei Wednesday during a demonstration by ex-soldiers, reports from the Taiwanese capital said.

About 300 protesters from the Old Soldiers Action League were faced by several hundred riot police outside the Kuomintang (KMT) headquarters in Taipei, sources in the city said.

During the demonstration protesters attempted to stop vehicles carrying members of the KMT Central Standing Committee which holds regular Wednesday morning meetings at the headquarters.

A similar protest was held last Wednesday morning, but there were no arrests on that occasion.

The former soldiers are demanding compensation for certificates issued by the KMT promising land on the mainland to soldiers who followed the Nationalists to Taiwan following the Communist victory in 1949. The soldiers were supposed to receive the land after the KMT retook the mainland.

Economics Minister on USSR, SRV Trade
OW1105033688 Taipei CNA in English 0243 GMT
 11 May 88

[Text] Taipei, May 11 (CNA) — The Republic of China [ROC] Government will adopt a "step by step" strategy in opening direct trade with the Soviet Union and Vietnam, Economics Minister Li Ta-hai said Tuesday.

Li said in view of current trends, the feasibility of the ROC's direct trade with Vietnam is considerably high. As to the Soviet Union, he added, the Government should handle it carefully, because the problem would be very complicated.

Local businessmen want to import rattan from Vietnam following Indonesia's ban on the export of rattan, Li said.

Although the purchasing power of the Soviet people is not high, Li said, it would be practical for ROC businessmen to consider purchasing agricultural and industrial raw materials from the Soviet Union.

Stressing that the Government would only permit local businessmen to engage in indirect trade with the USSR, the minister cautioned them not to be overly eager for instant success from direct trade with the USSR.

The Economics Ministry will submit to the Executive Yuan's Ad Hoc Trade Committee for discussion a proposal made by the Taiwan Importers and Exporters Association for sending a fact-finding mission to the Soviet Union, Li said.

XINHUA Washington Bureau Chief Seeks Visit
HK1005115288 Hong Kong AFP in English 1109 GMT
 10 May 88

[Text] Taipei, May 10 (AFP)—The Washington bureau chief of China's official NEW CHINA NEWS AGENCY (NCNA) wants to visit Taiwan, a newspaper said here Tuesday.

The UNITED EVENING NEWS said Lee Yen-ning had made known his wish to visit Taiwan to its U.S. correspondent, Fu Yi-chieh, when the two took part in a recent press tour of Puerto Rico.

"We all have learned about Taiwan's prosperity and economic development," Mr Lee was quoted as telling Mr Fu, adding that: "First hand reports on the Taiwan experience by mainland journalists should have a positive influence on reforms and modernization in China."

Whether his proposed trip was possible "would depend on Taipei's attitude," he said, noting that Communist Party Secretary General Zhao Ziyang had cleared the way for such visits.

The Taipei government, which has no official contacts with Beijing, would not comment on the report.

Mainland Dissident Says Students To Rise Again
*OW1005213188 Taipei International Service
in English 0200 GMT 6 May 88*

[Station commentary: "Fang Stumps for Freedom Again"]

[Text] Communist China's leading dissident, Fang Li-chih, was out stumping for more freedom and democracy this week, this time at Peking University. A crowd of several hundred students gathered to hear the outspoken Fang, who is affectionately known throughout Mainland China as the Sakharov of Communist China. Fang sat cross-legged under an acacia tree at the loosely organized event, which was timed to coincide with a student day-off in commemoration of the May Fourth Movement of 1919. That date marks an historical student uprising that helped usher in a more pluralistic social order in China.

Fang was second in charge of the University of Science and Technology in Hefei City when he was charged with inciting student protests for more freedom and democracy in late 1986. He was expelled from the Communist Party in January 1987 and was not permitted to make public appearances for several months afterwards. Gradually, however, Fang has come back into the public spotlight, bringing with him his usual candor and sharp-biting criticisms of the political structure in Communist China.

At Wednesday's outing on the campus of Peking University, which Fang attended despite the misgivings of party officials, the physicist turned political commentator spoke on the need for freedom and democracy in Mainland China. Fang told the students that we must emphasize freedom of the press, ideas, and speech; this is an urgent matter for us.

Fang, who was interrupted by several bursts of applause, told the students that in Mainland China the development of democracy is still at too low a level and that as a result, we cannot develop our economy. He cited as examples the booming economies and democratization of Taiwan and South Korea. He compared them to Communist Albania, which is hopelessly backward with neither democracy nor an economy to speak of.

Fang, whose outspokenness has often raised the ire of Communist China's paramount leader Teng Hsiao-ping, indirectly ridiculed Teng's call to modernize Mainland China by building socialism with Chinese characteristics by saying that no one ever talks about physics with

Chinese characteristics. The basic requirements for modernization are the same all over the world, he said. His allusion to Teng's slogan drew laughter from the students. But Fang did remind the students that having democracy in China is not as simple as flipping over a pancake. Everyone must work for it, he said.

As he was leaving, Fang answered reporters questions. Among other things, Fang said that he was certain the majority of students had not changed their minds about the need for freedom and democracy since the student protests in late 1986. He said that they might need to remain quiet until things blow over but that the students are bound to rise again and be heard.

As he left, he was also swamped by students wanting his autograph. Like Sakharov in Moscow, Fang has become a folk hero because of his gutsy outspokenness on themes that ruffle the feathers of the communist leadership. And, like Sakharov, Fang risks having the boom of the communists' wrath lowered on him at any moment.

Cabinet Denies Existence of Government Blacklist
*HK1005091488 Hong Kong AFP in English
0903 GMT 10 May 88*

[Text] Taipei, May 10 (AFP)—Taiwan's cabinet denied opposition charges Tuesday that the government had compiled a blacklist of its political opponents.

But the cabinet, in a written reply to charges made by seven opposition legislators, said 634 Taiwan nationals had been either barred from returning home or leaving the country since 39 years of martial law ended in July.

Since July, the Interior Ministry has upheld decisions by the Entry and Exit Bureau to deny entry to 352 Taiwan citizens living abroad, the cabinet said.

Those not allowed into Taiwan had violated National Security Law, it added.

Their alleged transgressions included membership in the Communist Party or another illegal organization, joining terrorist groups, sedition or other major crimes, or having illegally visited Mainland China and offered assistance to the communists.

Mainland Chinese who have not stayed in a third place for least five years, or who meet the requirement but fail to obtain permanent residency there, are barred from entering Taiwan, it noted.

The cabinet said another 282 people had been forbidden to go overseas since June because they had joined unlawful organizations, been involved in sedition or major economic crimes, or illegally visited China.

The cabinet said the government welcomes citizens living overseas to make trips home according to law, and added that there is no blacklist.

Opposition legislators have accused the authorities of holding a blacklist of more than 1,000 names, most of them political opponents.

The cabinet statement came as the government is deliberating whether to issue a visa to prominent dissident Hsu Hsing-liang.

Mr Hsu formally applied in Los Angeles last week to return to Taiwan after several abortive attempts to come home after being denied a visa.

Mr Hsu, a former magistrate, has been wanted by police for sedition since 1980 for joining an anti-government group in the United States and signing a declaration to overthrow the Kuomintang government by violence.

U.S. 'Pessimism' Over Mainland Reform Noted
OW1005210988 Taipei International Service
in English 0200 GMT 4 May 88

[Station commentary: "Pessimism on Mainland Reform Rises"]

[Text] The United States Central Intelligence Agency [CIA] released a report on the prospects for Communist China's economy that is anything but flattering. Normally high on Communist China's economic reform program, the CIA concludes in this most recent report that several problems threaten to derail the reform process. Among these, the CIA lists official corruption and Communist China's reluctance to let loose the reins on price and wage controls as two of the more serious problems.

Corruption is now rampant among officials who rose to positions of influence in the party bureaucracy back when adulation of Mao Tze-tung Thought was the only requirement for promotion. Today, these officials, who are said to number in the millions, still wield power over the competent younger bureaucrats. The younger members of the party are demoralized by a system that offers little merit to competence and much to party loyalty and past backgrounds.

The problem is widespread as an estimated two-thirds of the 30 million party bureaucrats entered the party during the tumultuous Cultural Revolution. Moreover, most of the long-time party bureaucrats are seriously undereducated; many of them did not even finish elementary school. This has created much social and political cleavage between their group and the younger, more educated persons who are now looking to increase their influence in the mainland's affairs.

Meanwhile, however, the old bureaucrats are busy trying to reap personal benefit from the reform program. Reports from the mainland indicate that there has been a substantial rise in the amount of money being spent on personal parties, illegal housing construction, and other expenditures for perks for entrenched party bureaucrats.

The CIA report goes into more detail in its coverage of the mainland's economic woes. It cites inflationary pressure, an irrational pricing system, and severe problems in supply meeting demand in basic consumer goods. The report offers the criticism that the aspirations of the reform program will not be met as long as the Communist Party refuses to let loose its tight grip on pricing and other state controls on the fledgling market economy being tested on the mainland.

The report calls Peking's policy of permitting market-oriented forces to operate freely in some sectors while maintaining state controls in other interrelated areas irrational and unfeasible. Specifically, some state enterprises, particularly in raw materials production, may set their own prices while others are still controlled. This leads to severe imbalances not only in supply and demand but also in profitability. Some suppliers have no choice but to operate at a loss while others are on their own.

The CIA report is down on the mainland's chances for further reform success unless the corruption, which misdirects valuable resources while giving ammunition to reform's opponents, and the market imbalances are brought under control. Inflation is raging now in urban areas because the pricing system has not yet been reconciled with rising standards of living versus the huge gap in supply and demand.

Hong Kong

Task Force To Examine 'Crippling' Brain Drain
HK0505114388 Hong Kong SOUTH CHINA
MORNING POST in English 5 May 88 p 1

[By Terry Lee and John Tang]

[Text] The Hong Kong Government has set up a task force to examine the crippling shortage of experienced workers throughout the territory.

Almost every sector of the economy is suffering from the effects of the so-called brain drain in the run-up to 1997 which has caused a crisis of confidence, especially among professionals.

Yesterday, the Secretary for Administrative Services and Information, Mr Peter Tsao Kwong-yung, told the Legislative Council [Legco] that a task force had been set up to study the problem, largely created by experienced young professionals going abroad.

It would look at ways to improve its patchy system of gathering statistics on emigration.

However, Mr Tsao gave no indication as to how the Government might tackle the problem once the extent of it was assessed.

The Government has no accurate figures on the effects of the brain drain because the territory's six million inhabitants have complete freedom of movement.

When the Government had gained a better idea of the extent of the problem, Mr Tsao said, it would be better able to plan its work and take measures to ease the situation.

"As the accuracy of our information improves, so the departments and branches involved in manpower planning will be better able to fine-tune their on-going programs," he said.

"I would be the first to admit that our information on the situation is at best patchy and less than wholly reliable," Mr Tsao said yesterday.

The Government's best estimate of emigration last year showed an outflow of 27,000 Hong Kong people.

This was higher than the estimate of about 20,000 a year between 1980 and 1984.

In 1985, the figure dropped to 11,000, but increased to 13,500 in 1986 and doubled last year.

Taken together, the Government insists the figures for the past three years are within the historical norm.

"Nonetheless, the Government is concerned because the numbers did rise last year and seem likely to remain at higher levels at least for the next few years, because some overseas countries have offered more attractive terms for immigrants, including those from Hong Kong," Mr Tsao said.

Mr Tsao repeated assurances made by the Governor, Sir David Wilson, two weeks ago that there would be no attempt to prevent Hong Kong residents from leaving the territory.

"There is no question of trying to stop people leaving Hong Kong. If people want to leave, they must be allowed to leave. That will always be the policy of this Government. Indeed, the freedom to come and go is guaranteed in the Joint Declaration."

The Government's move was welcomed by the personnel firm whose own studies on the emigration of executives sparked official concern.

The president of the Hong Kong Institute of Personnel Management, Mr Patrick Maule, said it was a healthy sign because "it showed the Government had elevated the issue to a conscious level".

Besides collecting information from Government departments, he suggested the authorities ask the private sector to provide information and views on employees emigrating.

Mr Maule disclosed that his firm was currently interviewing 500 professionals to see how many of them were leaving Hong Kong and their reasons for emigrating. He said the results would be ready in three months.

Another survey would be conducted on Hong Kong emigrants living in Canada and the United States to see whether they intended to return to Hong Kong after securing their so-called "insurance policies".

"We all know that China and 1997 are the main factors. The Government should seek to restore people's confidence and persuade them to wait a bit longer," Mr Maule said.

Besides trying to get a more accurate picture of the problem, Mr Maule said the authorities should look for the reasons behind the brain drain and seek solutions to stem the flow.

Mr Tsao promised that in assembling data on the brain drain, the Government had no intention of turning into a Big Brother or encroaching on the freedom of the individual.

"It is overall trends about which we need more information, not more detailed knowledge about a particular person," he said.

He added: "The best action the Government can take to stem emigration is to maintain and enhance the standard of living and quality of life of Hong Kong people."

Mr Tsao pledged that the Government would do its best to maintain Hong Kong's prosperity to keep the public's confidence in the territory.

"I know that for their part the authorities of the People's Republic of China understand the key role which they play in strengthening confidence in the future," he said.

The task force will consist of officials from Census and Statistics, the Security branch, Education and Manpower and other relevant departments and branches.

It will be headed by the Principal Assistant Secretary for Information, Mr Mike Rowse.

Mr Rowse said after the Legco meeting that the group's work would be two-fold.

"We will be looking at sources of information within the Government. Secondly, we are considering possible ways we can liaise with the private sector because it is something of concern to the whole community," he said.

"If people see for themselves that Hong Kong is still a good place to live and work, those contemplating emigration may think again, while those who have already left to obtain their insurance policy will want to come back."

Mr Tsao attempted to play down the problem by suggesting that the number of Hong Kong graduates exceeded the number who studied overseas.

"Our best guess is that last year, our community achieved a net gain in the number of graduates in the order of 3,000."

He declined to say whether those who returned to the territory remained permanently.

The brain drain has been a boost for the colony's expatriate community, who had been under threat from the tendency to localise firms wherever possible.

In the financial sector, the Hong Kong and Shanghai Bank said that last year eight per cent of its staff emigrated, compared with three per cent in 1986.

And the brain drain threatens to reverse some of Hong Kong's localisation policies because many of those leaving are in high-powered middle management jobs.

Drain Affects Banks

HK0805041188 Hong Kong HONGKONG SUNDAY
STANDARD in English 8 May 88 pp 1, 2

[By Juanito Concepcion]

[Text] The territory's worsening brain drain problem has forced a major French bank to close two of its profitable branches after their managers emigrated.

The Banque Nationale de Paris (BNP) said it was finding it difficult to get suitable replacements.

The closures dramatise the problem which the Governor, Sir David Wilson, recently acknowledged and which he said should be faced squarely.

The Government announced last Thursday the formation of a task force to study the problem and improve the system of gathering emigration statistics.

This was apparently sparked by the Government's estimate that the number of people who emigrated last year soared to about 27,000 from the annual average of 20,000 between 1980 and 1984.

The loss of its two branch managers prompted BNP to stop the operations of its Western District branch and it will close its Mong Kok branch before the end of this month.

This will leave the bank with only five branches in Hong Kong besides its head office in Central.

Mr Daniel Yiu, who is general manager for corporate banking and is also in charge of the branches network and the Chinese division, said yesterday: "We hate to close them down because they are earning money. But we have to trim our operations because of lack of suitable people."

He said the manager of the bank's Sham Hui Po branch would emigrate in July but it would continue operating because a new manager could be found.

He said many big banks and other sectors also were experiencing the same problem.

This was recently documented in an emigration survey of about 40 big Hong Kong firms. The Institute of Personnel Management's survey showed the academic, banking and insurance industries were hit hardest by the emigration of senior staff.

The Hong Kong and Shanghai Banking Corporation said it lost 56 executives last year to emigration—about eight per cent of the total 670 employees who resigned last year.

Mr George Cardona, the bank's public affairs manager, said: "It is creating serious management problems. But we are flexible and coping with it by accelerating the promotion of more young people."

Hang Seng Bank, Hong Kong Bank's subsidiary, also lost a considerable number of management executives last year.

Its personnel manager, Mrs Cathy Sin, said migrating executives made up two percent of its 10 percent labour turnover rate in 1987.

Mr Albert Stevenson, Citibank's vice president and general manager for consumer services, said the bank had lost four or five officers in 1985 and 1986, but this had tripled in 1987.

Affected banks and other firms said they had not devised effective ways of solving the problem.

Mr Yiu said BNP tried to recruit replacements for the other two branch managers but said recruiting managerial staff was very difficult.

"The market for managerial people is totally dry," he said.

"We had hundreds of applicants but most of them did not have good academic qualifications or track records."

Recruiting managerial staff from the market had also become very expensive because the bank was forced to pay a 30 to 40 percent salary premium, he said.

Companies which provided senior management staff to employers also charged retainer fees amount to as much as four months' salary of a manager, he said.

Recruiting managers from outside could also demoralise other bank employees—especially if they learnt of the much higher salaries to be paid to the new entrants.

Aside from the high cost of recruitment, the bank also had to be assured of the integrity and honesty of prospective managers, he said.

And Mr Yiu said the problem could only get worse.

To try to mitigate the effects of the brain drain, the bank would soon start to build a "nursery" of senior staff members, he said.

It wanted to come up with several deputy managers who could replace any branch manager planning to leave the bank.

BNP would redirect its operations to less labour-intensive operations such as merchant, investment and wholesale banking, he said.

Four years ago it had 21 branches but gradually closed down several of them because of losses during the recession of the early 1980s.

Electronic Exports to PRC Increased
OW1005234088 Beijing XINHUA in English
1119 GMT 10 May 88

[Text] Hong Kong, 10 (XINHUA) — The Chinese mainland has emerged as a forceful potential market for Hong Kong's electrical industry, according to an official of electrical and mechanical services here today.

G. J. Osborne, director of electrical and mechanical services of Hong Kong, was speaking at the opening ceremony of the third Hong Kong International Electrical and Electronic Engineering Show, Elenex'88.

Hong Kong's domestic exports of electrical machinery and appliances during 1987 were valued at about 15 billion H.K. dollars (1.92 billion U.S. dollars), an increase of about 30 percent over 1986, the official said.

"Although China had only accounted for about 1.8 billion H.K. dollars, an equivalent of 12 percent of the total value, there was actually an increase of exports to China of more than 73 percent," Osborne said.

"This indicated that China has become a great potential market for local electrical industry, and is and will be one of the most important markets in the years to come for Hong Kong," he added.

The "Elenex'88" is held at the Ocean Terminal exhibition Center in the South Kowloon Peninsula, from May 10 to 13.

The show has drawn nearly 300 exhibitors from 12 different countries and regions, including Australia, Canada, Italy, Japan, Sweden, South Korea, Singapore, Taiwan and United Kingdom.

Hainan Delegation Speaks With Governor
OW0705153188 Beijing XINHUA in English
0712 GMT 6 May 88

[Text] Hong Kong, May 6 (XINHUA) — China's newest province of Hainan will use its natural advantages and preferential policies to boost its economic relations with overseas investors, especially with those from Hong Kong.

This was stated at a press conference Thursday afternoon by Xu Shijie and Liang Xiang, both leaders of Hainan Province, who arrived in Hong Kong with a Hainan delegation Wednesday to attend the celebration of the establishment of Hainan Province.

Xu and Liang told reporters that they have exchanged views with Governor David Wilson on improving Hainan-Hong Kong relations when they met earlier in the day.

"In a friendly and frank atmosphere, we and the governor all expressed the wish to boost bilateral relations," Liang said.

As for the preferential policies of Hainan, Liang reaffirmed the "three freedoms", namely the free flow of people, currency and goods.

The two leaders encouraged Hong Kong businessmen to invest in practically all kinds of projects in Hainan.

"Hainan is designed to develop under the governing of international market system," Liang said. Therefore, the government is also changing its functions by giving more power to subordinates or lower levels, simplifying institutions and raising work efficiency, he said.

To date, Hainan has drawn overseas investments totaling 110 million U.S. dollars, about 80 percent of which came from Hong Kong.

Foreign investment in oil refinery, chemical fertilizer production and food processing proved to be successful, Xu said. And the breeding of prawns and fishes in Hainan's non-polluted water proved to be ideal for Hong Kong investors who can ship aquatic products to Hong Kong for sale, he added.

They said that the Hainan government will transfer the land use rights to individuals or collectives for a maximum of 70 years under one contract.

Now infrastructure construction on the island is in full swing which mainly includes the transport network and energy supply, they added.

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